

CITY OF LAPEER, MICHIGAN
COUNTY OF LAPEER
COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006
INDEPENDENT AUDITORS' REPORT



Layton & Richardson, P.C.
Certified Public Accountants

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Lapeer	County Lapeer
Fiscal Year End 6/30/06	Opinion Date 8/25/06	Date Audit Report Submitted to State 12/8/06	

We affirm that:

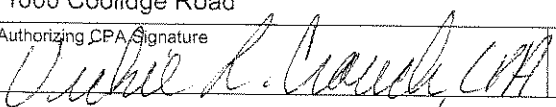
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☐ ☒ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☐ ☒ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) Single Audit Report	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Layton and Richardson, P.C.	Telephone Number 517-332-1900		
Street Address 1000 Coolidge Road	City East Lansing	State MI	Zip 48823
Authorizing CPA Signature 	Printed Name Vickie Crouch	License Number 1101013436	

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Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commission
City of Lapeer
Lapeer, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lapeer, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Lapeer, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the Lapeer Housing Commission Fund, which should be included to conform to U.S. generally accepted accounting principles. The amounts by which the financial statements would change if this fund were included cannot be determined.

In our opinion, except for the departures described above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lapeer, Michigan as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and the required supplementary information on pages 3 through 15 and pages 82 through 86 are not a required part of the basic financial statement but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Lapeer, Michigan's basic financial statements. The accompanying introductory section, supplemental financial information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. We have issued, in a separate letter dated August 25, 2006 a schedule of expenditures of federal awards for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and it is also not a required part of the basic financial statements of the City of Lapeer, Michigan. The supplemental financial information and the schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 2006 on our consideration of the City of Lapeer, Michigan's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
August 25, 2006

Management's Discussion and Analysis

Our discussion and analysis of the City of Lapeer's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- State Revenue Sharing Funds continue to be reduced. The City received \$811,246 in FY 2005-2006 compared to \$818,099 in FY 2004-2005, this is a reduction of \$6,853 or 0.8%. When compared to State Revenue Sharing Funds received in Fiscal Year 2001-2002, actual State Revenue Sharing Funds received reduced from \$1,037,526 to \$811,246 or a reduction of \$226,280 or 21.8%.
- The city income tax revenue of \$2,318,485 in fiscal year 2005-2006 was \$74,835 (3.3%) more than the prior year revenue of \$2,243,650.
- Interest on investments in the General Fund were at \$122,662 in fiscal year 2005-2006 compared to \$72,149 the prior year. This was an increase of \$50,513 or 70.0%. This increase in revenue is due to increases in the interest rates and the City expanding its investments to include certificate of deposits.
- The City completed negotiations with Lapeer Township for the transfer of approximately 800 acres of land surrounding the I-69/M-24 interchange. The final paperwork necessary to complete this transfer should be submitted to the State in November, 2006. There has been substantial interest in this property by Commercial Developments and it is estimated that the potential development of this area would be approximately \$1 billion dollars.
- The City entered into several installment purchase contracts during the fiscal year which included \$682,000 for the purchase of a Fire Pumper Engine and a Fire Commercial Tanker and \$288,000 for the purchase and installation of a Spray Park at the Community Center.
- There were 41 homes constructed during this fiscal year. The homes were constructed in the several subdivision developments now under development which include Brookwood which is planned for 218 single family sites valued at \$180,000 to \$250,000. The current phase in development has 78 sites. Carriage Hill is planned as an 80 unit attached condominium development valued at \$129,000. The current phase in development has 34 condominiums. Devonshire is planned for 45 senior condominiums valued at \$200,000 and is currently in development. Woodbridge which is planned for 188 unit cluster condominium valued at \$220,000 to \$300,000. The current phase in development has 80 condominiums. Golfview is planned for 58 single family homes valued at \$300,000 and is currently in development. Rolling Hills No. 5 is planned for 34 single family units valued at \$175,000 to \$270,000 and is currently in development.
- Property along Demille Boulevard has been rezoned and a site plan has been approved for a 134,000 +/- square foot retail shopping center which will include a large department store (88,800 sq ft) with two smaller bays (18,000 sq ft and 20,044 sq ft) for other shops. Additionally, it is planned for 2 or 3 additional buildings along Demille Boulevard which may be used for a bank or restaurants. Construction has been ongoing during this fiscal year and the Kohl's Department Store opened on October 5, 2006.
- ESE Engineering has completed the construction of a building in the Lapeer Industrial & Research Park valued at approximately \$1,200,000. This development will produce 18 new jobs.

- Creative Engineered Polymer Products, LLC informed the City in an August 4, 2006 letter, that they would be permanently closing their manufacturing operations located at 290 McCormick Street between October 5-19, 2006. They indicated the reason for the closing was that their number one customer was not accepting an increase in the cost of materials. This company was the largest taxpayer within the TIFA 1 district. A jeopardy assessment was levied for the 2006 Personal Property Taxes in the total amount of \$172,102.94 which has been paid by Creative Engineered Polymer Products, LLC on September 15, 2006. As this facility has changed ownership several times in the past 10 years, the City is hopeful that this facility will be purchased by a new owner. This facility was previously owned by Carlisle Engineered Products and Johnson Controls, Inc.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements provide more detailed information about the City's most significant funds- not the City as a whole. These statements tell how these services were financed in the short term as well as what remains for future spending. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases* or *decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City:

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, public works, parks department, and general administration. Property taxes, income taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and auto parking facilities are reported here.
- Component units – The City includes five separate legal entities in its report – Brownfield Redevelopment Authority, Downtown Development Authority, Economic Development Corporation, Local Development Finance Authority, and Tax Increment Finance Authority.

Reporting the City's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes (like the Infrastructure Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the Michigan State Housing Development Authority). The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities – such as the City's Motor Pool Fund.

The City as Trustee

The City is the trustee, or *fiduciary*, for its Mt. Hope Cemetery Perpetual Care Fund. It is also responsible for other assets as an agent for others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

Table 1 was summarized from the government-wide Statement of Net Assets. The City's combined net assets (for the primary government) increased from \$29,039,500 to \$78,856,546, an increase of \$49,817,046 or 171.5%. In the prior year, the net assets increased from \$27,483,820 to \$29,039,500, an increase of \$1,555,680 or 5.7%. The net assets for the governmental activities increased from \$17,813,753 to \$67,190,895, an increase of \$49,377,142 or 277.2%. In the prior year, the net assets increased from \$16,437,861 to \$17,813,753, an increase of \$1,375,892 or 8.4%. The large increase in both the City's combined net assets and the governmental net assets is due to the prior period adjustment to record the infrastructure assets in the amount of \$48,081,795.96. The net assets for the business-type activities increased from \$11,225,746 to \$11,665,651, an increase of \$439,905 or 3.9%. In the prior year, the net assets increased from \$11,045,958 to \$11,225,746, an increase of \$179,788 or 1.6%.

Table 1
Net Assets
(In Millions)

	<u>Governmental Activities</u> 2006	<u>Business-type Activities</u> 2006	<u>Total Primary Government</u> 2006
Current and other assets	\$ 7.9	\$ 3.2	\$11.1
Capital assets	<u>67.2</u>	<u>9.0</u>	<u>76.2</u>
Total assets	<u>75.1</u>	<u>12.2</u>	<u>87.3</u>
Long-term debt			
Outstanding	6.3	0.3	6.6
Other liabilities	<u>1.6</u>	<u>0.2</u>	<u>1.8</u>
Total liabilities	<u>7.9</u>	<u>0.5</u>	<u>8.4</u>
Net assets:			
Invested in capital assets,			
Net of debt	60.9	8.7	69.6
Restricted	0.2	1.8	2.0
Unrestricted (deficit)	<u>6.1</u>	<u>1.2</u>	<u>7.3</u>
Total net assets	<u>\$ 67.2</u>	<u>\$ 11.7</u>	<u>\$ 78.9</u>
	<u>Governmental Activities</u> 2005	<u>Business-type Activities</u> 2005	<u>Total Primary Government</u> 2005
Current and other assets	\$ 7.2	\$ 2.6	\$ 9.8
Capital assets	<u>18.3</u>	<u>9.3</u>	<u>27.6</u>
Total assets	<u>25.5</u>	<u>11.9</u>	<u>37.4</u>
Long-term debt			
Outstanding	6.5	0.4	6.9
Other liabilities	<u>1.2</u>	<u>0.3</u>	<u>1.5</u>
Total liabilities	<u>7.7</u>	<u>0.7</u>	<u>8.4</u>
Net assets:			
Invested in capital assets,			
Net of debt	11.9	8.8	20.7
Restricted	0.2	2.2	2.4
Unrestricted (deficit)	<u>5.7</u>	<u>0.2</u>	<u>5.9</u>
Total net assets	<u>\$17.8</u>	<u>\$ 11.2</u>	<u>\$ 29.0</u>

Governmental Activities

As stated previously, the net assets of the City's governmental activities increased by \$49,377,141.86 or 277.2%. Unrestricted net assets – the part of net assets that can be used to finance day –to –day operations without constraints established by debt covenants, enabling legislation, or other legal requirements-is recorded as a surplus of \$6,056,006.22.

Table 2 was summarized from the government-wide Statement of Activities. This table summarizes the government-wide program revenues, other revenues, and expenses of the City.

Table 2
Changes in Net Assets
(In Millions)

	Governmental Activities <u>2006</u>	Business-Type Activities <u>2006</u>	Total Primary Government <u>2006</u>
Revenues:			
Program revenues:			
Charges for Services	\$ 2.2	\$ 4.4	\$ 6.6
Operating grants and contributions	3.0	0.0	3.0
General revenues:			
Property taxes	2.5	0.0	2.5
Income Tax	2.3	0.0	2.3
Other taxes	0.0	0.0	0.0
Other	0.8	0.1	0.9
Total Revenues	<u>10.8</u>	<u>4.5</u>	<u>15.3</u>
Expenses:			
General government	\$ 1.4	\$ 0.0	\$ 1.4
Public safety	2.5	0.0	2.5
Public works	0.5	0.0	0.5
Community development and enrichment	1.5	0.0	1.5
Highway and streets	1.0	0.0	1.0
Culture and recreation	1.7	0.0	1.7
Other	0.5	0.0	0.5
Interest on long-term Debt	0.3	0.0	0.3
Water	0.0	1.8	1.8
Wastewater	0.0	1.8	1.8
Auto parking	0.0	0.1	0.1
Total Expenses	<u>9.4</u>	<u>3.7</u>	<u>13.1</u>
Increase in net assets			
Before transfers	1.4	0.8	2.2
Transfers	<u>(0.1)</u>	<u>(0.3)</u>	<u>(0.4)</u>
Increase in Net Assets	1.3	0.5	1.8
Net assets, July 1	17.8	11.2	29.0
Prior period adjustment	48.1	0.0	48.1
Net assets, June 30	<u>67.2</u>	<u>11.7</u>	<u>78.9</u>

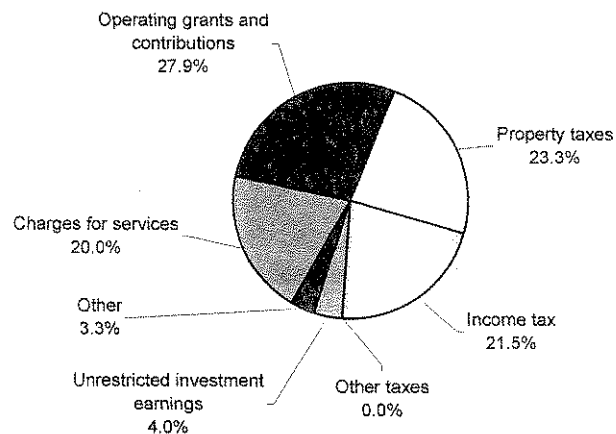
Table 2
Changes in Net Assets
(In Millions)

	Governmental <u>Activities</u> <u>2005</u>	Business-Type <u>Activities</u> <u>2005</u>	Total Primary Government <u>2005</u>
Revenues:			
Program revenues:			
Charges for Services	\$ 2.8	\$ 4.4	\$ 7.2
Operating grants and contributions	0.9	0.0	0.9
General revenues:			
Property taxes	2.2	0.0	2.2
Income Tax	2.3	0.0	2.3
Other taxes	0.0	0.0	0.0
Other	<u>1.3</u>	<u>0.1</u>	<u>1.4</u>
Total Revenues	<u>9.5</u>	<u>4.5</u>	<u>14.0</u>
Expenses:			
General government	\$ 1.4	\$ 0.0	\$ 1.4
Public safety	2.6	0.0	2.6
Public works	0.9	0.0	0.9
Community development and enrichment	0.6	0.0	0.6
Highway and streets	0.9	0.0	0.9
Culture and recreation	2.0	0.0	2.0
Other	0.2	0.0	0.2
Interest on long-term Debt	0.3	0.0	0.3
Water	0.0	1.8	1.8
Wastewater	0.0	1.9	1.9
Auto parking	<u>0.0</u>	<u>0.1</u>	<u>0.1</u>
Total Expenses	<u>8.9</u>	<u>3.8</u>	<u>12.7</u>
Increase in net assets			
Before transfers	0.6	0.7	1.3
Transfers	<u>0.8</u>	<u>(0.6)</u>	<u>0.2</u>
Increase in Net Assets	1.4	0.1	1.5
Net assets, July 1	16.4	11.1	27.5
Prior period adjustment	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net assets, June 30	<u>17.8</u>	<u>11.2</u>	<u>29.0</u>

The following charts illustrate the distribution of revenues by source and the program revenues compared with the expenses for the governmental activities.

FY 2005-2006

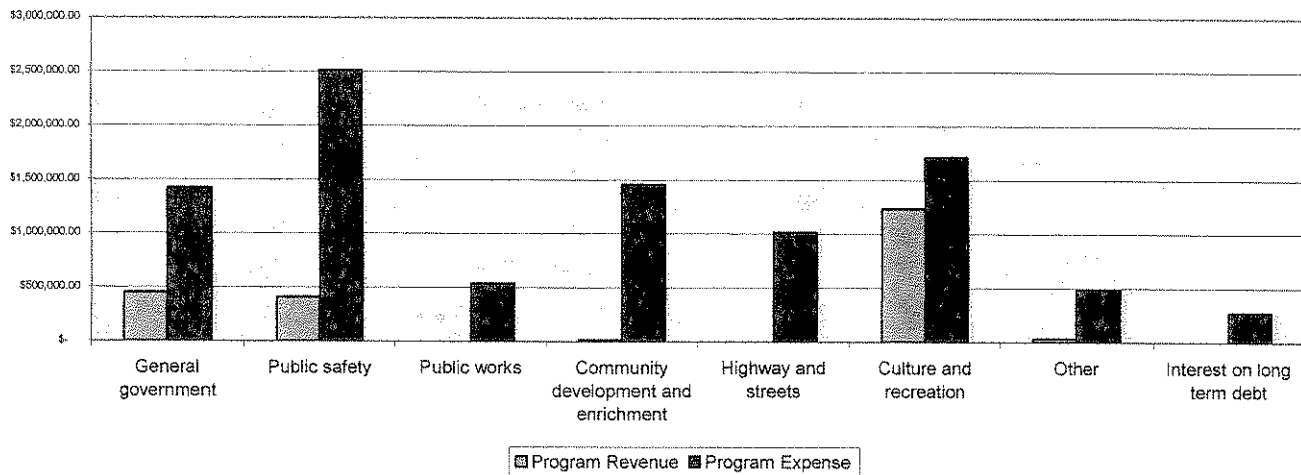
Revenues by Source - Governmental Activities



Total revenue from all sources totaled \$15.3 million of which \$10.8 million was from governmental activities and \$4.5 million was from business-type activities. In the prior year, total revenue from all sources totaled \$14.0 million of which \$9.5 million was from governmental activities and \$4.5 million was from business-type activities. This results in an increase in total revenue from all sources of \$1.3 million or 9.3%. The governmental activities revenue increased \$1.3 million or 13.7% while the business-type activities revenue experienced no change from the prior year. The governmental activities received 23.3% or \$2.5 million from property taxes. The millage rate of 9.8000 is an increase of 1.0089 mils or 11.5%. This is the first increase in the millage rate since it was reduced from 8.8911 to 8.7911 in FY 1989-1990. The City also received 21.5% or \$2.3 million from income tax revenue. 20.0% of governmental activity was funded from charges for services. 27.9% of governmental activity was funded from operating grants and contributions. The remaining 7.3% of revenue is from unrestricted investment earnings, other taxes, and other revenue.

FY 2005-2006

Expenses and Program Revenues - Governmental Activities



The governmental activities of the City had an expense of \$9.4 million dollars for the past fiscal year. Due to utilizing full accrual on the government-wide statements, the expenditures for capital assets including infrastructure are not recorded as expenses in the current year but are capitalized on the Statement of Net Assets and are depreciated over the useful life of the asset. Only the current year depreciation would be included as an expense.

The \$9.4 million for governmental activities is funded from \$5.2 million in program revenues. The balance of this cost is funded from taxes and other revenues. The largest expenditures for governmental activities occur in public safety at \$2.5 million, culture and recreation at \$1.7 million, community development and enrichment at \$1.5 million, and general government at \$1.4 million. The program revenues received as a percentage of the expense for these activities are 32% for general government, 16% for public safety, 1% for community development and enrichment, 72% for culture and recreation, and 7% for other.

Other governmental activity expenditures are highways and streets, \$1.0 million, public works, \$0.5 million, interest on long-term debt, \$0.3 million, and other, \$0.5 million.

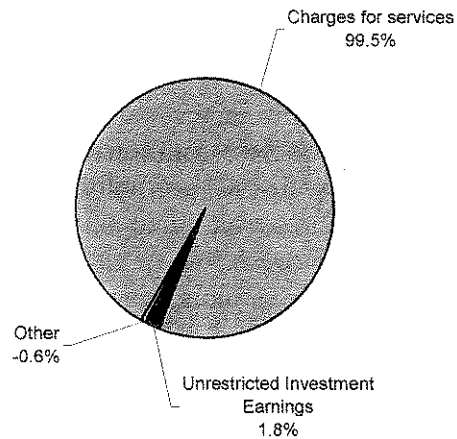
Business-type Activities

The net assets of the City's business-type activities increased from \$11,225,746 to \$11,665,651, an increase of \$439,905 or 3.9%. In the prior year, the net assets of the City's business-type activities increased from \$11,045,958 to \$11,225,746, an increase of \$179,788 or 1.6%.

The following charts illustrate the distribution of revenues by source and the program revenues compared with the expenses for the business-type activities.

FY 2005-2006

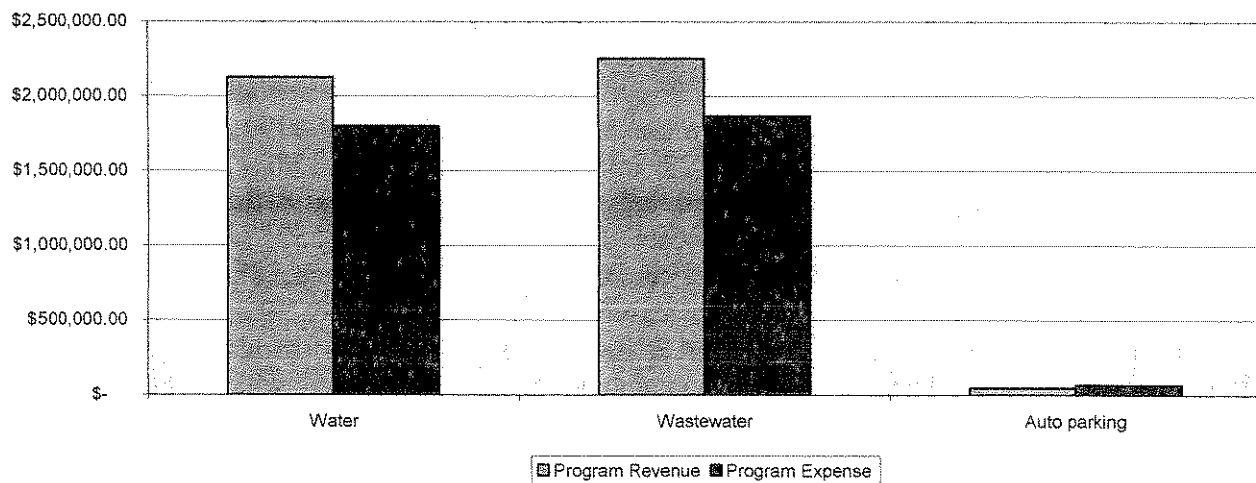
Revenues by Source - Business-type Activities



The largest source of revenue for the business-type activities is charges for services which represents 98.9% of the total revenue. The business-type activities include the water fund, wastewater fund, and auto parking fund. The total revenue received was \$4.5 million or \$4.4 million from charges for services.

FY 2005-2006

Expense and Program Revenues - Business-type Activities



The City is a member of the Greater Lapeer County Utilities Authority (G.L.C.U.A.) which purchases its water from the Detroit Water System. The City's water fund received a 4.0% decrease in rates from the Detroit Water System effective July 1, 2005. The rate reduced from \$12.83 per 1,000 cubic feet to \$12.32 per 1,000 cubic feet. The water fund total operating expenses were \$1.8 million compared to \$2.1 million in program revenues. The purchase of water for this fiscal year was \$872,736 and represents 48% of the funds operating expenses.

The wastewater fund total operating expenses were \$1.9 million compared to \$2.2 million in program revenues.

THE CITY'S FUNDS

The General Fund revenue was \$7.0 million, an increase of \$313 thousand from the prior year. The expenditures were \$5.2 million compared to \$4.9 million the prior year, or an increase of \$384 thousand. The net transfers to other funds were \$1.5 million compared to \$1.1 million the prior year, or an increase of \$422 thousand. The unreserved fund balance increased from \$2,093,448.45 to \$2,417,324.91 or an increase of \$323,876.46 or 15.5%. In the prior year, the unreserved fund balance increased from \$1,290,119.67 to \$2,093,448.45 or an increase of \$803,328.78 or 62.3%.

The Major Street fund completed the work on the Downtown Improvement project which included milling and resurfacing Nepessing Street, replacement of curb and gutter, sidewalk, landscaping, lighting and the gateway entrance. The construction cost for this project in this fiscal year was \$40,403. The WalMart off site improvements had expenditures amounting to \$3,968 in this fiscal year. Additionally, traffic/school crossing signals were installed at a total cost of \$73,578.45. This fund receives revenues from grants, donations, and transfers from bond construction funds which vary greatly from year to year. In the current year, the total revenues were \$0.5 million, the expenditures were \$0.7 million, and the net transfers out were \$15 thousand. The fund balance decreased from \$417,640 to \$240,900 or a decrease of \$176,740 or 42.3%. In the prior year, the fund balance decreased from \$574,496 to \$417,640 or a decrease of \$156,856 or 27.3%.

The Park Fund revenues increased from \$1.4 million to \$1.9 million, an increase of \$526,029, or 11% from the prior year. This increase is due primarily to an increase in donations and grant funds received. The City received a donation of \$315,000 from the Lapeer Optimist Club for the Soccer Field expansion project along with a state grant in the amount of \$161,235.30. Additionally, the City received a state grant in the amount of \$143,792.25 for the Depot Historic Preservation Project. In the prior year, the revenues increased from \$1.3 million to \$1.4, an increase of \$136,360 or 11%. The expenditures increased from \$2.0 million to \$2.6 million, an increase of \$582,179 or 29%. This increase is due to increases in capital expenditures for the Depot Historic Preservation Project (\$193,377), Lapeer Optimist Community Soccer Field Project (\$592,257), and Trailer Park Improvements (\$65,004) and the reduction in the Community Center expenditures this year of \$264,056. In the prior year, the expenditures increased from \$1.8 million to \$2.0 million, an increase of \$217,070 or 15%. The net transfers decreased from \$854 thousand to \$839 thousand, a decrease of \$15,116 or 2%. In the prior year, the net transfers amounted to \$854 thousand, which was an increase of \$350,175 from the prior year. The fund balance increased from \$292 thousand to \$473 thousand or an increase of \$181 thousand. In the prior year, the fund balance increased from \$39 thousand to \$292 thousand or an increase of \$253 thousand.

General Fund Budgetary Highlights

The difference between the original budget and the amended budget was an increase of \$36,016 or 0.46%, which is summarized as follows:

- \$25,000 increase to provide funding for a Transfer to the Capital Improvement Fund for the purchase of Warning Sirens.
- \$9,435 increase to the Fire Department Budget for donations received for Fire Prevention.
- \$1,581 increase in the Elections Budget to purchase new QVF Equipment.

Of the increases in the budget, the \$25,000 for funding the purchase of warning sirens is funded from an increase in Fire Runs and Protection Revenue. The \$9,435 for Fire Prevention is funded from donations. The \$1,581 increase for the purchase of new QVF Equipment is funded from fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Lapeer's investment in capital assets for its governmental and business type activities as of June 30, 2006, amounts to \$76,214,174 (net of accumulated depreciation). This is an increase of \$48,598,094 over the prior year amount of \$27,616,080 and is due to the prior period adjustment of recording the infrastructure assets in the amount of \$48,081,795.96. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Lapeer's investment in capital assets for the current fiscal year was 176.0 percent (a 266.0 percent increase for governmental activities and a 2.8 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Completion of the Downtown Improvement Project which included the installation of water main, storm sewer, resurfacing of Nepessing Street including curb and gutter, sidewalk improvements, lighting and landscaping. The City investment in these improvements this fiscal year amounted to \$40,403.
- WalMart off site improvements were started during this fiscal year with cost incurred in the amount of \$3,968.
- Various Local Street Fund Projects began this fiscal year and included Adams Street Reconstruction Project (\$22,749), Liberty Street Reconstruction Project (\$24,818), Park Street Reconstruction Project (\$4,136), and Fair Street Reconstruction Project (\$25,409).
- Optimist Community Soccer Field project continued with cost in this fiscal year of \$586,861. Additionally, the Park Fund completed the Lapeer Depot Historic Preservation Project (\$198,897.62) and began the Outdoor Spray Park Project (\$73,020) and the Water Tower Trailer Park improvements (\$58,654).
- Various water main projects were under construction and included the M-24 Watermain (\$37,432), Pleasant Street watermain (\$13,671), Liberty Street watermain (\$9,013), Suncrest Drive watermain (\$5,400), Park Street watermain (\$1,978), Adams Street watermain (\$455), and Jefferson Street watermain (\$357).
- Various sewer projects were under construction and included Park Street sewer (\$2,306), and 01 Lift Station upgrade (\$23,000).

Debt

At year-end, the City of Lapeer's (excluding component units) total bonded debt outstanding was at \$7.1 million versus \$7.2 million last year – a decrease of \$154,370 or 2.1%- as shown in Table 3.

Table 3
Outstanding Debt at Year-End
(In Millions)

	Governmental Activities		Business-type Activities		Totals	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bonds (backed by the City)	\$ 5.7	\$5.4	\$0.0	\$0.0	\$ 5.7	\$ 5.4
Special assessment bonds (with city commitment)	\$ 1.1	\$1.4	\$0.0	\$0.0	\$ 1.1	\$ 1.4
Revenue bonds and notes (backed by specific tax and fee revenues)	<u>\$ 0.0</u>	<u>\$0.0</u>	<u>\$0.3</u>	<u>\$0.4</u>	<u>\$ 0.3</u>	<u>\$ 0.4</u>
Totals	<u>\$ 6.8</u>	<u>\$6.8</u>	<u>\$0.3</u>	<u>\$0.4</u>	<u>\$ 7.1</u>	<u>\$ 7.2</u>

The 1996 Special Assessment bond originally issued in the amount of \$112,000 was paid in full on October 1, 2005. The 1996 General Obligation bond originally issued in the amount of \$90,000 was paid in full on October 1, 2005. The 1986 Water Revenue Bond originally issued in the amount of \$395,000 was paid in full on May 1, 2006. The Equipment Financing Contract for the purchase of computers originally issued in the amount of \$46,000 was paid in full on March 1, 2006. The Equipment Financing Contract for the purchase of police cars originally issued in the amount of \$25,000 was paid in full on March 1, 2006. Additionally, the City entered into several Equipment Financing Contracts for the purchase of Fire Pumper Engine and Fire Commercial Tanker (\$682,000) and purchase and installation of a Spray Park at the Community Center (\$288,000).

Regarding the component unit's debt, the Tax Increment Finance Authority has the 1998 Tax Increment Financing Revenue Refunding Bond with the outstanding balance of \$2,845,000. The balance at the beginning of the fiscal year was \$3,380,000 which results in debt reduction of \$535,000 or 15.8%. On the financial statements, this is shown net of the unamortized discount of \$34,380. The Downtown Development Authority has agreed to pay a portion of the 2002 General Obligation Bond which was issued for the Downtown Improvement Project. Their share of this debt at the end of the fiscal year is \$137,288. The balance at the beginning of the fiscal year was \$157,627 which results in debt reduction of \$20,339 or 12.9%.

The City's general obligation bond rating continues to carry a Baa from Moody's Investor Services since 1993 while Standard & Poor's has upgraded the City's rating from a BBB+ to an A-. The City's other debt – principally, revenue bonds – carries a BBB- rating. The State limits the amount of general obligation debt that cities can issue to 10 percent of State Equalized Value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below this \$27.6 million state-imposed limit.

Other obligations include accrued vacation and sick leave. More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Unemployment rate for the County of Lapeer is at 6.6 percent which is a decrease of 0.8 percent from the prior year unemployment rate of 7.4 percent.
- Inflationary trends in the region compare favorably to national indices.

These factors were considered in preparing the City of Lapeer's budget for Fiscal Year 2006-2007.

During the current fiscal year, the unreserved fund balance increased from \$2,093,448 to \$2,417,325, an increase of \$323,877 or 15.5%. In the prior year, the unreserved fund balance increased from \$1,290,120 to \$2,093,448, an increase of \$803,328 or 36.9%. The current year unreserved fund balance of \$2,417,325 is \$371,666 higher than the \$2,405,659 which was projected during the Fiscal Year 2006-2007 budget review. The City of Lapeer is anticipating utilizing \$909,437 of fund balance for the 2006-2007 fiscal year.

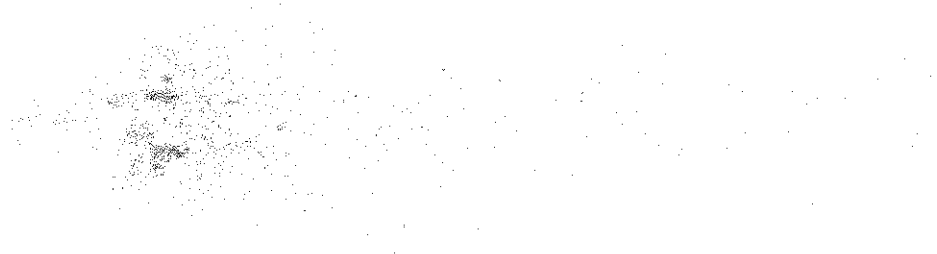
As part of the Fiscal Year 2006-2007 budget, the City of Lapeer will return to the General Fund contributed capital from the Wastewater Fund (\$200,000). Additionally, the City maintained the millage rate of 9.8000 which is the same as the prior year millage rate. 1 mill of this millage rate is allocated 50% to the Local Street Fund and 50% to the Capital Improvement Fund.

Requests for Information

This financial report is designed to provide a general overview of the City of Lapeer's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Lapeer, Director of Financial Services, 576 Liberty Park, Lapeer, MI 48446.

GENERAL PURPOSE FINANCIAL STATEMENTS

General purpose financial statements provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow.



CITY OF LAPEER, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash	\$ 4,366,628.96	\$ 754,781.80	\$ 5,121,410.76	\$ 2,415,038.79
Investments	1,841,292.90		1,841,292.90	
Receivables				
Notes				252,915.28
Taxes	243,981.90		243,981.90	
Accounts	299,648.78	405,607.79	705,256.57	
Special assessments	639,741.22		639,741.22	
Deposits		38,896.50	38,896.50	
Prepaid expenses	103,714.32	22,217.68	125,932.00	
Due from				
Other funds		280,457.52	280,457.52	72,126.94
State	367,231.22		367,231.22	
Other governmental units	12,413.91		12,413.91	
Inventory	46,798.58	103,378.72	150,177.30	
Restricted assets				
Cash and investments		1,567,402.56	1,567,402.56	350,223.30
Bond discount		4,164.27	4,164.27	
Fixed assets (net of accumulated depreciation)	<u>67,222,090.05</u>	<u>8,992,084.24</u>	<u>76,214,174.29</u>	<u>5,282,957.60</u>
 TOTAL ASSETS	 \$ <u>75,143,541.84</u>	 \$ <u>12,168,991.08</u>	 \$ <u>87,312,532.92</u>	 \$ <u>8,373,261.91</u>

See accompanying notes to financial statements.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
LIABILITIES				
Current liabilities				
Payables				
Accounts	\$ 512,956.84	\$ 145,663.94	\$ 658,620.78	\$ 7,536.98
Payroll and payroll taxes	107,279.58	18,307.15	125,586.73	
Due to				
State	42,672.39		42,672.39	
Other units	150,129.74		150,129.74	
Other funds	56,526.41		56,526.41	266,351.43
Accrued interest	88,639.58		88,639.58	14,041.58
Deposits payable	72,846.00	12,100.00	84,946.00	8,744.00
Bonds and notes payable	1,243,916.26	38,460.86	1,282,377.12	595,338.98
Noncurrent liabilities				
Bonds and notes payable	5,073,898.15	288,808.39	5,362,706.54	2,352,569.15
Accrued sick and vacation pay	603,781.38		603,781.38	
TOTAL LIABILITIES	<u>7,952,646.33</u>	<u>503,340.34</u>	<u>8,455,986.67</u>	<u>3,244,582.12</u>
NET ASSETS				
Invested in capital assets, net of related debt	60,904,275.64	8,664,814.99	69,569,090.63	2,335,049.47
Restricted for				
Receivables	98,827.36		98,827.36	
Prepaid expenses	84,987.71	22,217.68	107,205.39	
Inventory	46,798.58	103,378.72	150,177.30	
Operation and maintenance		124,902.08	124,902.08	
Bond and interest redemption		33,222.92	33,222.92	
Replacement		1,517,402.56	1,517,402.56	
Improvements		25,000.00	25,000.00	
Unrestricted	<u>6,056,006.22</u>	<u>1,174,711.79</u>	<u>7,230,718.01</u>	<u>2,793,630.32</u>
TOTAL NET ASSETS	<u>67,190,895.51</u>	<u>11,665,650.74</u>	<u>78,856,546.25</u>	<u>5,128,679.79</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 75,143,541.84</u>	<u>\$ 12,168,991.08</u>	<u>\$ 87,312,532.92</u>	<u>\$ 8,373,261.91</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Primary Government			
Governmental Activities			
General government	\$ 1,420,541.12	\$ 453,596.66	\$ 811,246.00
Public safety	2,511,926.03	410,947.96	85,055.09
Public works	538,680.29		
Community development and enrichment	1,456,438.82	16,359.75	1,309,986.62
Highways and streets	1,014,760.92		664,255.31
Culture and recreation	1,713,359.25	1,237,829.21	143,792.25
Other	486,609.55	33,936.16	
Interest on long-term debt	276,479.31		
Total Governmental Activities	<u>9,418,795.29</u>	<u>2,152,669.74</u>	<u>3,014,335.27</u>
Business-Type Activities			
Water	1,802,394.97	2,128,654.75	
Wastewater	1,866,815.59	2,252,765.90	
Auto parking	67,901.40	49,733.52	
Total Business-Type Activities	<u>3,737,111.96</u>	<u>4,431,154.17</u>	
Total Primary Government	<u>\$ 13,155,907.25</u>	<u>\$ 6,583,823.91</u>	<u>\$ 3,014,335.27</u>
Component Units			
Tax Increment Financing Authority	\$ 421,102.13	\$	\$
Brownfield Redevelopment	1,543.75		
Downtown Development Authority	111,513.37		2,300.00
Local Development Financing Authority	69,218.60		
Economic Development Corporation	1,550.00		
Total Component Units	<u>\$ 604,927.85</u>	<u>\$</u>	<u>\$ 2,300.00</u>
General Revenues			
Property taxes levied for general purposes			
Property taxes levied for debt service			
Income tax			
Miscellaneous			
Unrestricted investment earnings			
Gain on sale of capital assets			
Transfers			
Total General Revenues and Transfers			
Change in Net Assets			
Prior period adjustment			
Net Assets, July 1			
Net Assets, June 30			

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	
\$	\$ (155,698.46)	\$	\$ (155,698.46)	\$
	(2,015,922.98)		(2,015,922.98)	
	(538,680.29)		(538,680.29)	
	(130,092.45)		(130,092.45)	
	(350,505.61)		(350,505.61)	
	(331,737.79)		(331,737.79)	
	(452,673.39)		(452,673.39)	
	(276,479.31)		(276,479.31)	
	(4,251,790.28)		(4,251,790.28)	
		326,259.78	326,259.78	
		385,950.31	385,950.31	
		(18,167.88)	(18,167.88)	
		694,042.21	694,042.21	
\$	(4,251,790.28)	694,042.21	(3,557,748.07)	
\$				(421,102.13)
				(1,543.75)
				(109,213.37)
				(69,218.60)
				(1,550.00)
\$				(602,627.85)
	2,198,402.73		2,198,402.73	1,070,227.23
	319,905.55		319,905.55	
	2,318,484.99		2,318,484.99	
	712,495.57		712,495.57	56,123.29
	429,875.27	80,060.84	509,936.11	106,973.59
	(356,667.82)	(28,689.93)	(385,357.75)	
	(75,360.11)	(305,508.98)	(380,869.09)	401,208.07
	5,547,136.18	(254,138.07)	5,292,998.11	1,634,532.18
	1,295,345.90	439,904.14	1,735,250.04	1,031,904.33
	48,081,795.96		48,081,795.96	
	17,813,753.65	11,225,746.60	29,039,500.25	4,096,775.46
\$	\$ 67,190,895.51	\$ 11,665,650.74	\$ 78,856,546.25	\$ 5,128,679.79

CITY OF LAPEER, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2006

ASSETS

	GENERAL	PARKS AND RECREATION	HOUSING RESOURCE
ASSETS			
Cash	\$ 613,952.90	\$ 283,471.33	\$ 85,146.64
Investments	1,841,292.90		
Receivables			
Taxes	243,981.90		
Accounts	98,827.36	67,224.25	51,554.00
Special assessments			
Due from			
Other funds	52,421.23	127,751.70	
State	108,003.00	143,792.25	
Other governmental units	12,413.91		
Inventory	15,233.08		
Prepaid expenses	84,987.71	10,836.82	
TOTAL ASSETS	\$ 3,071,113.99	\$ 633,076.35	\$ 136,700.64

LIABILITIES AND FUND EQUITY

LIABILITIES			
Payables			
Accounts	\$ 94,933.24	\$ 132,041.02	\$ 74,234.45
Payroll and payroll taxes	83,090.67	17,375.27	
Due to			
State	42,672.39		
Other units	150,129.74		
Other funds	11,068.89	10,617.50	
Deferred revenue			
Deposits payable	72,846.00		
TOTAL LIABILITIES	454,740.93	160,033.79	74,234.45
FUND BALANCE			
Reserved for receivables	98,827.36		
Reserved for cemetery perpetual care			
Reserved for prepaid expenses	84,987.71		
Reserved for inventory	15,233.08		
Reserved for debt service			
Unreserved, reported in			
General fund	2,417,324.91		
Special revenue funds		473,042.56	62,466.19
Permanent fund			
Capital projects funds			
TOTAL FUND BALANCE	2,616,373.06	473,042.56	62,466.19
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,071,113.99	\$ 633,076.35	\$ 136,700.64

1998 SPECIAL ASSESSMENT BONDS	2005 EQUIPMENT FINANCING	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 294,558.37	\$ 944,680.25	\$ 1,775,803.36	\$ 3,997,612.85
			1,841,292.90
			243,981.90
		79,953.17	297,558.78
348,677.72		291,063.50	639,741.22
		243,268.90	423,441.83
		115,435.97	367,231.22
			12,413.91
			15,233.08
		3,619.61	99,444.14
<u>\$ 643,236.09</u>	<u>\$ 944,680.25</u>	<u>\$ 2,509,144.51</u>	<u>\$ 7,937,951.83</u>
\$	\$	\$ 142,984.50	\$ 444,193.21
		4,596.27	105,062.21
			42,672.39
	95,016.50	51,959.35	150,129.74
348,677.72		295,353.19	168,662.24
			644,030.91
			72,846.00
<u>348,677.72</u>	<u>95,016.50</u>	<u>494,893.31</u>	<u>1,627,596.70</u>
			98,827.36
		138,401.27	138,401.27
			84,987.71
294,558.37		676,016.89	15,233.08
			970,575.26
			2,417,324.91
		712,703.22	1,248,211.97
		340.99	340.99
	849,663.75	486,788.83	1,336,452.58
<u>294,558.37</u>	<u>849,663.75</u>	<u>2,014,251.20</u>	<u>6,310,355.13</u>
<u>\$ 643,236.09</u>	<u>\$ 944,680.25</u>	<u>\$ 2,509,144.51</u>	<u>\$ 7,937,951.83</u>

CITY OF LAPEER, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances - governmental funds		\$	6,310,355.13
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$71,109,377.68 and the accumulated depreciation is \$4,510,476.66			66,598,901.02
An internal service fund is used by the City's management to charge the costs of vehicle use to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.			476,126.77
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Long-term liabilities at year-end consist of:			
Bonds payable	\$	4,932,711.87	
Accrued interest		88,639.58	
Contracts payable		1,213,385.49	
Compensated absences		<u>603,781.38</u>	(6,838,518.32)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds			<u>644,030.91</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		\$	<u><u>67,190,895.51</u></u>

See accompanying notes to financial statements.

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL	PARKS AND RECREATION	HOUSING RESOURCE
REVENUES			
Taxes and special assessments	\$ 4,935,444.21	\$	\$
Licenses and permits	8,044.26		
Intergovernmental	949,558.65	305,027.55	952,180.00
Charges for services	807,681.54	1,240,461.43	
Fines and forfeits	48,818.82		
Interest and rentals	134,232.74	60,021.87	
Other revenues	142,683.13	332,026.13	300,098.12
TOTAL REVENUES	<u>7,026,463.35</u>	<u>1,937,536.98</u>	<u>1,252,278.12</u>
EXPENDITURES			
General government	1,386,774.23		
Public safety	2,570,305.73		
Public works	812,270.59		
Culture and recreation		2,595,114.55	
Community development and enrichment	430,669.66		980,296.92
Debt service			
Principal retirement			
Interest and fiscal charges			
Other	48,844.40		
Highways and streets			
Capital outlay			
TOTAL EXPENDITURES	<u>5,248,864.61</u>	<u>2,595,114.55</u>	<u>980,296.92</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,777,598.74</u>	<u>(657,577.57)</u>	<u>271,981.20</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of bond issues and loans			
Operating transfers in	613,429.40	839,773.76	180,000.00
Operating transfers out	(2,094,948.64)	(822.00)	(409,500.00)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,481,519.24)</u>	<u>838,951.76</u>	<u>(229,500.00)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	296,079.50	181,374.19	42,481.20
FUND BALANCE, JULY 1	<u>2,320,293.56</u>	<u>291,668.37</u>	<u>19,984.99</u>
FUND BALANCE, JUNE 30	<u>\$ 2,616,373.06</u>	<u>\$ 473,042.56</u>	<u>\$ 62,466.19</u>

See accompanying notes to financial statements.

1998 SPECIAL ASSESSMENT BONDS	2005 EQUIPMENT FINANCING	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 209,648.10	\$	\$ 110,257.45	\$ 5,255,349.76
			8,044.26
		668,706.25	2,875,472.45
		49,665.91	2,097,808.88
			48,818.82
9,274.52	14,130.53	123,786.61	341,446.27
		162,977.79	937,785.17
<u>218,922.62</u>	<u>14,130.53</u>	<u>1,115,394.01</u>	<u>11,564,725.61</u>
			1,386,774.23
		7,491.12	2,577,796.85
			812,270.59
			2,595,114.55
		105,481.37	1,516,447.95
200,000.00		888,479.44	1,088,479.44
22,677.00		224,753.83	247,430.83
	7,676.93	225,280.77	281,802.10
	70,774.00	980,738.23	980,738.23
		134,033.45	204,807.45
<u>222,677.00</u>	<u>78,450.93</u>	<u>2,566,258.21</u>	<u>11,691,662.22</u>
<u>(3,754.38)</u>	<u>(64,320.40)</u>	<u>(1,450,864.20)</u>	<u>(126,936.61)</u>
	970,000.00		970,000.00
	(56,020.00)	1,914,394.81	3,547,597.97
		(966,785.44)	(3,528,076.08)
	913,980.00	947,609.37	989,521.89
(3,754.38)	849,659.60	(503,254.83)	862,585.28
298,312.75	4.15	2,517,506.03	5,447,769.85
<u>\$ 294,558.37</u>	<u>\$ 849,663.75</u>	<u>\$ 2,014,251.20</u>	<u>\$ 6,310,355.13</u>

CITY OF LAPEER, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

Net changes in fund balances - total governmental funds	\$	862,585.28
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets		1,500,524.62
Change in sale of assets		(291,508.71)
Less: current year depreciation		(488,139.07)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(295,117.87)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

Bond and loan proceeds		(970,000.00)
Accrued interest		(20,282.71)
Principal payments		1,088,479.44

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in long-term compensated absences		(16,696.68)
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Internal service funds are used by management to charge the costs of certain activities to individual funds.

The net (expense) of the internal service funds is reported with governmental activities.

		(74,498.40)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>1,295,345.90</u>
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CITY OF LAPEER, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006
WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 30,982.61	\$ 133,125.00
Investments		
Accounts receivable		208,825.43
Deposits		900.00
Bond discount		4,164.27
Inventory		
Due from other funds		274,759.85
Prepaid expenses	1,025.12	12,040.15
TOTAL CURRENT ASSETS	32,007.73	633,814.70
RESTRICTED ASSETS		
Cash and investments		1,567,402.56
PROPERTY, PLANT AND EQUIPMENT		
Construction in progress		50,924.13
Land and improvements	844,695.20	436,664.67
Buildings and structures		11,800,649.03
Utility mains		
Infrastructure		948,490.55
Vehicles and equipment	9,373.00	1,566,598.99
	854,068.20	14,803,327.37
Less: accumulated depreciation	485,015.27	8,208,807.88
NET PROPERTY, PLANT AND EQUIPMENT	369,052.93	6,594,519.49
TOTAL ASSETS	\$ 401,060.66	\$ 8,795,736.75

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
WATER SUPPLY	TOTAL		INTERNAL SERVICE FUNDS	
	2006	2005	2006	2005
\$ 590,674.19	\$ 754,781.80	\$ 278,456.74	\$ 369,016.11	\$ 211,102.08
		17,143.73		
196,782.36	405,607.79	422,752.66	2,090.00	27,058.60
37,996.50	38,896.50	43,565.26		
	4,164.27	4,884.27		
103,378.72	103,378.72	40,941.45	31,565.50	24,555.35
5,697.67	280,457.52	8,114.32		
9,152.41	22,217.68	21,242.56	4,270.18	3,205.23
943,681.85	1,609,504.28	837,100.99	406,941.79	265,921.26
	1,567,402.56	1,811,093.87		
17,065.93	67,990.06	868,881.30		
67,649.81	1,349,009.68	1,354,002.06	22,328.64	22,328.64
221,739.50	12,022,388.53	12,019,032.32		
5,446,270.06	5,446,270.06	5,505,338.37		
	948,490.55			83,498.98
151,363.26	1,727,335.25	2,059,889.42	1,670,763.79	1,579,617.84
5,904,088.56	21,561,484.13	21,807,143.47	1,693,092.43	1,685,445.46
3,875,576.74	12,569,399.89	12,558,146.97	1,069,903.40	1,114,590.64
2,028,511.82	8,992,084.24	9,248,996.50	623,189.03	570,854.82
\$ 2,972,193.67	\$ 12,168,991.08	\$ 11,897,191.36	\$ 1,030,130.82	\$ 836,776.08

CITY OF LAPEER, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS - Concluded
JUNE 30, 2006
WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 70.99	\$ 52,935.60
Due to other funds		
Accrued payroll and related items	175.44	11,344.36
Performance bonds payable		
Notes payable		8,460.86
Bonds payable		30,000.00
TOTAL CURRENT LIABILITIES	246.43	102,740.82
LONG-TERM LIABILITIES		
Notes payable		68,808.39
Bonds payable		220,000.00
TOTAL LONG-TERM LIABILITIES		288,808.39
TOTAL LIABILITIES	246.43	391,549.21
NET ASSETS AND CONTRIBUTED CAPITAL		
CONTRIBUTED CAPITAL		
Municipality	329,999.93	2,699,999.84
Local		
Federal		3,013,061.76
TOTAL CONTRIBUTED CAPITAL	329,999.93	5,713,061.60
NET ASSETS		
Invested in capital assets, net of related debt	369,052.93	6,267,250.24
Restricted for		
Prepaid expenses	1,025.12	12,040.15
Inventory		
Operation and maintenance		124,902.08
Bond and interest redemption		33,222.92
Replacement		1,517,402.56
Improvements		25,000.00
Unrestricted	(299,263.75)	(5,288,692.01)
TOTAL NET ASSETS	70,814.30	2,691,125.94
TOTAL NET ASSETS AND CONTRIBUTED CAPITAL	400,814.23	8,404,187.54
TOTAL LIABILITIES AND NET ASSETS	\$ 401,060.66	\$ 8,795,736.75

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
WATER SUPPLY	2006	TOTAL 2005	INTERNAL SERVICE FUNDS	
			2006	2005
\$ 92,657.35	\$ 145,663.94	\$ 249,721.73	\$ 68,763.63	\$ 24,540.29
6,787.35	18,307.15	13,748.74	311,306.00	20,841.18
12,100.00	12,100.00	7,550.00	2,217.37	1,723.94
	8,460.86	8,155.04		
	30,000.00	65,000.00	40,310.37	67,328.45
<u>111,544.70</u>	<u>214,531.95</u>	<u>344,175.51</u>	<u>422,597.37</u>	<u>114,433.86</u>
	68,808.39	77,269.25	131,406.68	171,717.05
	220,000.00	250,000.00		
	288,808.39	327,269.25	131,406.68	171,717.05
<u>111,544.70</u>	<u>503,340.34</u>	<u>671,444.76</u>	<u>554,004.05</u>	<u>286,150.91</u>
	3,029,999.77	3,329,999.77		
	3,013,061.76	3,259,368.08	40,000.00	100,000.00
	6,043,061.53	6,589,367.85	40,000.00	100,000.00
2,028,511.82	8,664,814.99	8,848,572.25		331,809.32
9,152.41	22,217.68	21,242.56		3205.23
103,378.72	103,378.72	40,941.45	31,565.50	24,555.35
	124,902.08	268,435.34		
	33,222.92	46,367.71		
	1,517,402.56	1,754,593.87		
	25,000.00	25,000.00		
<u>719,606.02</u>	<u>(4,868,349.74)</u>	<u>(6,368,774.43)</u>	<u>404,561.27</u>	<u>91,055.27</u>
<u>2,860,648.97</u>	<u>5,622,589.21</u>	<u>4,636,378.75</u>	<u>436,126.77</u>	<u>450,625.17</u>
<u>2,860,648.97</u>	<u>11,665,650.74</u>	<u>11,225,746.60</u>	<u>476,126.77</u>	<u>550,625.17</u>
\$ <u>2,972,193.67</u>	\$ <u>12,168,991.08</u>	\$ <u>11,897,191.36</u>	\$ <u>1,030,130.82</u>	\$ <u>836,776.08</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
OPERATING REVENUES		
Charges for services	\$ 49,733.52	\$ 2,252,742.17
Miscellaneous		23.73
Equipment rentals		
TOTAL OPERATING REVENUES	<u>49,733.52</u>	<u>2,252,765.90</u>
OPERATING EXPENSES		
Salaries and wages	14,264.31	481,906.88
Fringe benefits	13,002.42	243,526.59
Office supplies	62.35	5,773.20
Operating supplies	1,448.05	98,322.85
Administrative fees	16,064.00	139,222.00
Professional and contractual services	8,185.50	192,215.94
Printing	896.02	2,225.25
Insurance and bonds	849.00	44,242.00
Public utilities		132,506.41
Repairs and maintenance	4,224.56	42,964.77
Rentals	6,272.46	45,214.18
Miscellaneous	18.72	4,045.93
Property taxes		65,417.00
Depreciation	2,614.01	350,681.76
Capital outlay		
Conferences		1,241.92
TOTAL OPERATING EXPENSES	<u>67,901.40</u>	<u>1,849,506.68</u>
OPERATING INCOME (LOSS)	<u>(18,167.88)</u>	<u>403,259.22</u>
NONOPERATING REVENUES (EXPENSES)		
Interest earned	925.70	62,253.70
Gain (loss) on sale of fixed assets	(88.77)	(18,348.79)
Interest expense		(17,308.91)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>836.93</u>	<u>26,596.00</u>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
WATER SUPPLY	TOTAL		INTERNAL SERVICE FUNDS	
	2006	2005	2006	2005
\$ 2,127,478.47	\$ 4,429,954.16	\$ 4,413,981.62	\$	\$
1,176.28	1,200.01	5,200.00		
			731,238.90	665,707.57
<u>2,128,654.75</u>	<u>4,431,154.17</u>	<u>4,419,181.62</u>	<u>731,238.90</u>	<u>665,707.57</u>
309,596.42	805,767.61	790,226.25	94,246.09	90,499.00
130,387.95	386,916.96	381,171.29	51,918.19	48,369.83
8,645.01	14,480.56	13,654.49	1,060.46	1,138.25
923,922.45	1,023,693.35	1,008,086.72	147,381.69	142,805.42
148,180.00	303,466.00	288,773.00		
44,832.48	245,233.92	170,299.59	6,645.54	6,344.31
2,347.09	5,468.36	3,649.35		
9,955.00	55,046.00	61,304.89	35,698.00	43,524.92
12,277.01	144,783.42	135,032.96	53,667.09	48,310.93
13,136.27	60,325.60	55,517.26	422,261.64	120,961.83
96,296.83	147,783.47	134,814.30	3,178.86	2,420.58
4,882.87	8,947.52	12,322.20	1,361.53	1,682.96
24,425.00	89,842.00	87,691.00		
71,349.09	424,644.86	426,183.46	123,377.47	102,175.89
		149,706.37		44,198.10
421.00	1,662.92	2,485.55		
<u>1,800,654.47</u>	<u>3,718,062.55</u>	<u>3,720,918.68</u>	<u>640,796.56</u>	<u>652,432.02</u>
<u>328,000.28</u>	<u>713,091.62</u>	<u>698,262.94</u>	<u>90,442.34</u>	<u>13,275.55</u>
16,881.44	80,060.84	45,129.27	3,866.14	7,212.88
(10,252.37)	(28,689.93)	14,534.00	(65,159.11)	12,743.84
<u>(1,740.50)</u>	<u>(19,049.41)</u>	<u>(25,867.55)</u>	<u>(8,765.77)</u>	<u>(9,165.88)</u>
<u>4,888.57</u>	<u>32,321.50</u>	<u>33,795.72</u>	<u>(70,058.74)</u>	<u>10,790.84</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - Concluded
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
INCOME (LOSS) BEFORE OPERATING TRANSFERS	\$ (17,330.95)	\$ 429,855.22
OPERATING TRANSFERS		
Operating transfers in	32,892.00	23,000.00
Operating transfers out		(326,999.00)
NET INCOME (LOSS)	15,561.05	125,856.22
ADD DEPRECIATION OF FIXED ASSETS ACQUIRED BY GRANTS, ENTITLEMENTS AND SHARED REVENUES EXTERNALLY RESTRICTED FOR CAPITAL ACQUISITIONS AND CONSTRUCTION THAT REDUCES CONTRIBUTED CAPITAL		246,306.32
REDUCTION OF CONTRIBUTED CAPITAL		300,000.00
NET ASSETS, JULY 1	55,253.25	2,018,963.40
NET ASSETS, JUNE 30	\$ 70,814.30	\$ 2,691,125.94

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
WATER SUPPLY	2006	TOTAL 2005	INTERNAL SERVICE FUNDS 2006	2005
\$ 332,888.85	\$ 745,413.12	\$ 732,058.66	\$ 20,383.60	\$ 24,066.39
998.02	56,890.02	962.50		476.36
<u>(35,400.00)</u>	<u>(362,399.00)</u>	<u>(553,233.00)</u>	<u>(94,882.00)</u>	<u>(100,596.00)</u>
298,486.87	439,904.14	179,788.16	(74,498.40)	(76,053.25)
	246,306.32	246,306.32		
	300,000.00	489,296.72	60,000.00	64,690.00
<u>2,562,162.10</u>	<u>4,636,378.75</u>	<u>3,720,987.55</u>	<u>450,625.17</u>	<u>461,988.42</u>
\$ <u><u>2,860,648.97</u></u>	\$ <u><u>5,622,589.21</u></u>	\$ <u><u>4,636,378.75</u></u>	\$ <u><u>436,126.77</u></u>	\$ <u><u>450,625.17</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTEWATER TREATMENT PLANT
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 50,184.93	\$ 2,264,592.63
Cash received from interfund charges		
Cash payment for goods and services	(38,147.81)	(1,053,386.60)
Cash payment for employees	(27,169.63)	(720,704.50)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(15,132.51)	490,501.53
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in	32,892.00	23,000.00
Operating transfers out		(326,999.00)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	32,892.00	(303,999.00)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment for capital acquisitions		(69,782.72)
Principal payments		(38,155.04)
Sale of capital assets		(18,348.79)
(Increase) decrease in investments		(109,164.96)
Interest and fiscal charges paid		(17,308.91)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES		(252,760.42)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	925.70	62,253.70
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,685.19	(4,004.19)
CASH AND CASH EQUIVALENTS, JULY 1	12,297.42	137,129.19
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 30,982.61	\$ 133,125.00

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
WATER SUPPLY	2006	TOTAL 2005	2006	2005
\$ 2,138,190.24	\$ 4,452,967.80	\$ 4,375,843.38	\$ 756,207.50	\$ 646,929.45
(1,445,868.71)	(2,537,403.12)	(2,111,129.63)	(44,148.32)	(396,708.59)
(438,125.41)	(1,185,999.54)	(1,150,069.40)	(146,164.28)	(138,868.83)
<u>254,196.12</u>	<u>729,565.14</u>	<u>1,114,644.35</u>	<u>565,894.90</u>	<u>111,352.03</u>
998.02	56,890.02	962.50		476.36
(35,400.00)	(362,399.00)	(553,233.00)	(94,882.00)	(100,596.00)
<u>(34,401.98)</u>	<u>(305,508.98)</u>	<u>(552,270.50)</u>	<u>(94,882.00)</u>	<u>(100,119.64)</u>
(98,038.65)	(167,821.37)	(565,750.91)	(240,870.79)	(276,302.60)
(35,000.00)	(73,155.04)	25,424.25	(67,328.45)	28,388.19
(10,252.37)	(28,601.16)	14,534.00		23,736.00
370,000.00	260,835.04	(93,326.14)		300,000.00
(1,740.50)	(19,049.41)	(25,867.55)	(8,765.77)	(9,165.88)
<u>224,968.48</u>	<u>(27,791.94)</u>	<u>(644,986.35)</u>	<u>(316,965.01)</u>	<u>66,655.71</u>
<u>16,881.44</u>	<u>80,060.84</u>	<u>45,129.27</u>	<u>3,866.14</u>	<u>7,212.88</u>
461,644.06	476,325.06	(37,483.23)	157,914.03	85,100.98
<u>129,030.13</u>	<u>278,456.74</u>	<u>315,939.97</u>	<u>211,102.08</u>	<u>126,001.10</u>
<u>\$ 590,674.19</u>	<u>\$ 754,781.80</u>	<u>\$ 278,456.74</u>	<u>\$ 369,016.11</u>	<u>\$ 211,102.08</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF CASH FLOWS - Concluded
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTEWATER TREATMENT PLANT
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (18,167.88)	\$ 403,259.22
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	2,614.01	350,681.76
(Increase) decrease in inventory		
(Increase) decrease in accounts receivable	451.41	11,826.73
(Increase) decrease in bond discounts		720.00
(Increase) decrease in prepaid expenses	(98.06)	1,406.62
(Increase) decrease in due from other funds		(270,752.20)
(Increase) decrease in deposits		
Increase (decrease) in accounts payable	(29.09)	(9,242.95)
Increase (decrease) in due to other funds		
Increase (decrease) in accrued expenses	97.10	2,602.35
Increase (decrease) in performance bonds payable		
Total adjustments	3,035.37	87,242.31
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (15,132.51)	\$ 490,501.53

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
WATER SUPPLY	TOTAL		INTERNAL SERVICE FUNDS	
	2006	2005	2006	2005
\$ <u>328,000.28</u>	\$ <u>713,091.62</u>	\$ <u>698,262.98</u>	\$ <u>90,442.34</u>	\$ <u>13,275.55</u>
71,349.09	424,644.86	426,183.46	123,377.47	102,175.89
(62,437.27)	(62,437.27)	4,271.71	(7,010.15)	(885.50)
4,866.73	17,144.87	(41,670.31)	24,968.60	(26,889.35)
	720.00	720.00		
(2,283.68)	(975.12)	16,338.80	(1,064.95)	8,958.72
(1,591.00)	(272,343.20)	(2,976.05)		
4,668.76	4,668.76	219.08		
(94,785.75)	(104,057.79)	46,339.77	44,223.34	5,325.82
			290,464.82	
1,858.96	4,558.41	(35,295.09)	493.43	9,390.90
<u>4,550.00</u>	<u>4,550.00</u>	<u>2,250.00</u>	<u> </u>	<u> </u>
<u>(73,804.16)</u>	<u>16,473.52</u>	<u>416,381.37</u>	<u>475,452.56</u>	<u>98,076.48</u>
\$ <u><u>254,196.12</u></u>	\$ <u><u>729,565.14</u></u>	\$ <u><u>1,114,644.35</u></u>	\$ <u><u>565,894.90</u></u>	\$ <u><u>111,352.03</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	PAYROLL CLEARING	TAX COLLECTION
ASSETS		
Cash	\$ 78,915.43	\$ 2,165.82
Accounts receivable		<u>29,706.62</u>
TOTAL ASSETS	<u>\$ 78,915.43</u>	<u>\$ 31,872.44</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 78,915.43	\$
Undistributed taxes		2,165.82
Due to other funds		<u>29,706.62</u>
TOTAL LIABILITIES	<u>\$ 78,915.43</u>	<u>\$ 31,872.44</u>

See accompanying notes to financial statements.

CITY OF LAPEER, MICHIGAN
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	SPECIAL REVENUE	DEBT SERVICE
ASSETS		
Cash	\$ 496,152.63	\$ 658,848.63
Receivables		
Accounts	25,430.03	
Special assessments		291,063.50
Due from		
Other funds	183,467.85	17,168.26
State	115,435.97	
Prepaid expenses	3,619.61	
TOTAL ASSETS	<u>\$ 824,106.09</u>	<u>\$ 967,080.39</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Payables		
Accounts	\$ 54,847.25	\$
Payroll and payroll taxes	4,596.27	
Due to other funds	51,959.35	
Deferred revenue		291,063.50
TOTAL LIABILITIES	<u>111,402.87</u>	<u>291,063.50</u>
FUND BALANCE		
Reserved for cemetery perpetual care		
Reserved for debt service		676,016.89
Unreserved	712,703.22	
TOTAL FUND BALANCE	<u>712,703.22</u>	<u>676,016.89</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 824,106.09</u>	<u>\$ 967,080.39</u>

See accompanying notes to financial statements.

CAPITAL PROJECTS	PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 482,059.84	\$ 138,742.26	\$ 1,775,803.36
54,523.14		79,953.17
		291,063.50
42,632.79		243,268.90
		115,435.97
		3,619.61
<u>\$ 579,215.77</u>	<u>\$ 138,742.26</u>	<u>\$ 2,509,144.51</u>
\$ 88,137.25	\$	\$ 142,984.50
		4,596.27
4,289.69		51,959.35
<u>92,426.94</u>		<u>295,353.19</u>
		494,893.31
	138,401.27	138,401.27
486,788.83	340.99	676,016.89
<u>486,788.83</u>	<u>138,742.26</u>	<u>1,199,833.04</u>
\$ <u>579,215.77</u>	\$ <u>138,742.26</u>	\$ <u>2,014,251.20</u>
		<u>\$ 2,509,144.51</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE	DEBT SERVICE
REVENUES		
Taxes and special assessments	\$	\$ 110,257.45
Intergovernmental	668,706.25	
Charges for services	49,665.91	
Interest and rentals	70,354.10	26,346.21
Other revenues	10,845.03	1,893.12
TOTAL REVENUES	<u>799,571.29</u>	<u>138,496.78</u>
EXPENDITURES		
Public safety	7,491.12	
Community development and enrichment	105,481.37	
Debt service		
Principal retirement		888,479.44
Interest and fiscal charges		224,753.83
Other	145,441.37	
Highways and streets	980,738.23	
Capital outlay		
TOTAL EXPENDITURES	<u>1,239,152.09</u>	<u>1,113,233.27</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(439,580.80)</u>	<u>(974,736.49)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	724,645.20	990,617.61
Operating transfers out	(426,184.42)	(79,244.53)
TOTAL OTHER FINANCING SOURCES (USES)	<u>298,460.78</u>	<u>911,373.08</u>
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(141,120.02)	(63,363.41)
FUND BALANCE, JULY 1	<u>853,823.24</u>	<u>739,380.30</u>
FUND BALANCE, JUNE 30	<u>\$ 712,703.22</u>	<u>\$ 676,016.89</u>

See accompanying notes to financial statements.

CAPITAL PROJECTS	PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$	\$	\$
		110,257.45
		668,706.25
		49,665.91
21,526.09	5,560.21	123,786.61
149,609.64	630.00	162,977.79
<u>171,135.73</u>	<u>6,190.21</u>	<u>1,115,394.01</u>
		7,491.12
		105,481.37
		888,479.44
79,839.40		224,753.83
		225,280.77
134,033.45		980,738.23
<u>213,872.85</u>		<u>134,033.45</u>
		2,566,258.21
(42,737.12)	6,190.21	(1,450,864.20)
199,132.00		1,914,394.81
<u>(442,396.28)</u>	<u>(18,960.21)</u>	<u>(966,785.44)</u>
(243,264.28)	(18,960.21)	947,609.37
(286,001.40)	(12,770.00)	(503,254.83)
772,790.23	151,512.26	2,517,506.03
\$ <u>486,788.83</u>	\$ <u>138,742.26</u>	\$ <u>2,014,251.20</u>

CITY OF LAPEER, MICHIGAN

STATEMENT OF NET ASSETS

COMPONENT UNITS

JUNE 30, 2006

	DOWNTOWN DEVELOPMENT AUTHORITY	BROWNFIELD REDEVELOPMENT	TAX INCREMENT FINANCE AUTHORITY
ASSETS			
Cash	\$ 125,483.40	\$ 2,897.11	\$ 1,607,348.75
Note receivable			252,915.28
Due from other funds	2,524.41		63,398.41
Capital assets (net of accumulated depreciation)	586,718.78		4,489,464.93
RESTRICTED ASSETS			
Cash			350,223.30
TOTAL ASSETS	<u>\$ 714,726.59</u>	<u>\$ 2,897.11</u>	<u>\$ 6,763,350.67</u>
LIABILITIES			
Accounts payable	\$ 7,286.98	\$	\$
Due to other funds	49,958.00		216,393.43
Security deposits payable	1,250.00		7,494.00
Accrued interest	1,002.00		13,039.58
Long-term liabilities			
Portion due within one year	20,338.98		575,000.00
Portion due after one year	<u>116,949.15</u>		<u>2,235,620.00</u>
TOTAL LIABILITIES	<u>196,785.11</u>		<u>3,047,547.01</u>
FUND BALANCE			
Invested in capital assets, net of related debt	449,430.65		1,678,844.93
Unreserved	<u>68,510.83</u>	<u>2,897.11</u>	<u>2,036,958.73</u>
TOTAL FUND BALANCE	<u>517,941.48</u>	<u>2,897.11</u>	<u>3,715,803.66</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 714,726.59</u>	<u>\$ 2,897.11</u>	<u>\$ 6,763,350.67</u>

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT CORPORATION (12-31-05)	LOCAL DEVELOPMENT AUTHORITY	TOTAL
\$ 6,365.09	\$ 672,944.44	\$ 2,415,038.79
	6,204.12	252,915.28
	206,773.89	72,126.94
		5,282,957.60
		350,223.30
<u>\$ 6,365.09</u>	<u>\$ 885,922.45</u>	<u>\$ 8,373,261.91</u>
\$ 250.00	\$	\$ 7,536.98
		266,351.43
		8,744.00
		14,041.58
		595,338.98
		2,352,569.15
<u>250.00</u>		<u>3,244,582.12</u>
6,115.09	206,773.89	2,335,049.47
<u>6,115.09</u>	<u>679,148.56</u>	<u>2,793,630.32</u>
	<u>885,922.45</u>	<u>5,128,679.79</u>
<u>\$ 6,365.09</u>	<u>\$ 885,922.45</u>	<u>\$ 8,373,261.91</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

		PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
	EXPENSES		
Component Units			
Tax Increment Financing Authority	\$ 421,102.13	\$	\$
Brownfield Redevelopment	1,543.75		
Downtown Development Authority	111,513.37		2,300.00
Local Development Financing Authority	69,218.60		
Economic Development Corporation	1,550.00		
Total Component Units	<u>\$ 604,927.85</u>	<u>\$</u>	<u>\$ 2,300.00</u>
General Revenues			
Property taxes			
Miscellaneous			
Unrestricted investment earnings			
Transfers			
Total General Revenues and Transfers			
Change in Net assets			
NET ASSETS, JULY 1			
NET ASSETS, JUNE 30			

See accompanying notes to financial statements.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

TAX INCREMENT FINANCE AUTHORITY	BROWNFIELD REDEVELOPMENT	DOWNTOWN DEVELOPMENT AUTHORITY	LOCAL DEVELOPMENT FINANCE AUTHORITY	ECONOMIC DEVELOPMENT CORPORATION	TOTAL
\$ (421,102.13)	\$ (1,543.75)	\$ (109,213.37)	\$ (69,218.60)	\$ (1,550.00)	\$ (421,102.13)
					(1,543.75)
					(109,213.37)
					(69,218.60)
					(1,550.00)
<u>(421,102.13)</u>	<u>(1,543.75)</u>	<u>(109,213.37)</u>	<u>(69,218.60)</u>	<u>(1,550.00)</u>	<u>(602,627.85)</u>
971,579.46	1,293.19	33,928.28	63,426.30		1,070,227.23
51,073.49		4,949.80		100.00	56,123.29
65,962.69		17,638.32	23,349.07	23.51	106,973.59
<u>(76,924.71)</u>	<u>1,685.77</u>	<u>329,863.81</u>	<u>146,583.20</u>		<u>401,208.07</u>
<u>1,011,690.93</u>	<u>2,978.96</u>	<u>386,380.21</u>	<u>233,358.57</u>	<u>123.51</u>	<u>1,634,532.18</u>
590,588.80	1,435.21	277,166.84	164,139.97	(1,426.49)	1,031,904.33
<u>3,125,214.86</u>	<u>1,461.90</u>	<u>240,774.64</u>	<u>721,782.48</u>	<u>7,541.58</u>	<u>4,096,775.46</u>
<u>\$ 3,715,803.66</u>	<u>\$ 2,897.11</u>	<u>\$ 517,941.48</u>	<u>\$ 885,922.45</u>	<u>\$ 6,115.09</u>	<u>\$ 5,128,679.79</u>

CITY OF LAPEER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lapeer was incorporated as a City in 1869. The City of Lapeer has operated since 1919 under a Council-Manager form of government and provides the following services: public safety, highways and streets, water, sanitation, recreation, public improvements, planning, zoning, and general administrative services.

The accounting policies of the City of Lapeer conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

A. Reporting Entity

All funds and account groups under direct control of the City, except for the Lapeer Housing Commission, are included in this report. A separate audit report is prepared by other auditors for this component unit of the City of Lapeer financial reporting entity. These funds and account groups are those which meet the criteria established by Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, and Statement on Michigan Governmental Accounting and Auditing No.5.

The criteria established by GASB for determining which of the City's various organizations and activities are to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the City.

Discretely Presented Component Units

The following entities are listed as discretely presented component units of the City in the component unit column to emphasize their legally separate status from the primary government. The City is financially accountable, and exclusion from the general-purpose financial statements would be misleading or incomplete.

Downtown Development Authority
Tax Increment Finance Authority
Economic Development Corporation
Local Development Financing Authority
Brownfield Redevelopment Authority

Complete financial statements for each individual component unit may be obtained at the entity's administrative office.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the City of Lapeer and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for services. The primary government of the City of Lapeer is reported separately from certain legally separate component units for which the City of Lapeer, the primary government, is financially accountable.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

B. Government-Wide and Fund Financial Statements - Concluded

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City of Lapeer.

The City of Lapeer reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those to be accounted for in another fund.

The Parks and Recreation fund accounts for the activities used to run and maintain the community center and parks throughout the City.

The Housing Resource fund accounts for the grants received to renovate or purchase residences for low income families.

The 1998 Special Assessment Bond fund is used to account for the resources accumulated and payments made for principal and interest payments on these bonds.

The 2005 Equipment Financing fund is used to account for the proceeds of bonds received and the amount expended for the purchase of equipment.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Concluded

The City of Lapeer reports the following major proprietary funds:

The Wastewater fund accounts for the activities and operations of the sewage treatment plant and the sewage pumping stations.

The Water fund accounts for the activities and operations of the water distribution system.

The Auto Parking fund accounts for the operation and maintenance of the City's metered and non-metered parking lots.

Additionally, the City of Lapeer reports the following fund types:

Internal Service funds are used to account for motor pool, computer and telephone services provided to other departments on a cost reimbursement basis.

The Mount Hope Cemetery Trust fund is used to account for resources legally held in trust to be used for cemetery perpetual care. All resources of the fund, including any earnings on invested resources, may be used to support the organization's activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City of Lapeer has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Water Fund, Wastewater Fund, and the Auto Parking Fund and other functions and segments.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services and privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general revenue.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City of Lapeer's policy to use restricted resources first. Unrestricted resources are used as they are needed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Budgets and Budgetary Accounting

The City of Lapeer follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May, the Manager submits to the City Commission an operating budget for the fiscal year commencing July 1.
2. No later than May 31, the City Commission legally adopts the budget by resolution.
3. The City Manager has the authority to transfer any amount of money within departments of a fund. Any transfers between funds in excess of \$5,000.00 are proposed to the City Commission for their approval.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Also, all budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.
5. Budget amounts are as originally adopted, or as amended by the City Manager or City Commission. Individual amendments were not material in relation to the original appropriations, which were amended.
6. All annual appropriations lapse at year end.

E. Receivables

Receivables have been recognized for all significant amounts due the City. No allowances have been made for uncollectible amounts because if they remain unpaid, most delinquent receivables can be added to the tax roll and become a lien against the property.

F. Inventories

Inventories and supplies held by the Automobile Parking System, Parks, Cemetery and the Waste Water Treatment Plant are immaterial in amount and have not been recognized on the accounting records.

The inventory of supplies held by the Water Supply System, Motor Pool and General Fund as of June 30, 2006 were determined by physical count and valued at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of Lapeer as assets with an initial, individual cost of \$5,000.00 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. Capital Assets - Concluded

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE
Land	n/a
Land improvements	10-20 years
Buildings	10-40 years
Equipment	5-20 years
Vehicles	3-10 years
Utility systems	10-40 years
Streets	20-25 years
Bridges	20-25 years
Sidewalks	20-25 years

H. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt received, are reported as debt service.

I. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

J. Deposits and Investments

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents. All investments for both the primary government and all the component units are reported at fair value.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Concluded**

K. Restricted Assets

Certain proceeds of the Wastewater and Water Fund's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

L. Cash and Cash Equivalents

For purposes of the statements of cash flows, the proprietary and fiduciary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2: **PROPERTY TAXES**

Property tax revenues for 2005 reflected in the accompanying financial statements include property taxes levied July 1, 2005, and substantially collected at June 30, 2006.

The total 2005 levy for the City was \$2,168,246.20.

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on July 1, and payable by July 31. The City bills and collects its own property taxes. The City is permitted by the City Charter to levy taxes up to \$1.00 per \$100.00 of assessed valuation for general governmental services, other than the payment of principal and interest on long-term debt, and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2006, was \$.98 per \$100.00, which means that the City has a tax margin of \$.02 per \$100.00 and could raise up to \$44,265.00 additional tax per year from the present taxable value of \$221,326,139.00 before the limit is reached.

The City levied the following taxes for fiscal year 05-06:

General Governmental Services	\$ <u>9.8000</u>
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The delinquent real property taxes of the City are sold to the County of Lapeer. The County intends to sell tax notes as a means of financing the purchase of these property taxes.

NOTE 3: **ACCUMULATED VACATION AND SICK LEAVE**

Accrued vacation and sick leave is recorded as a governmental fund liability at June 30, 2006, to the extent that it is to be liquidated with expendable available financial resources within the current operating cycle. Vacation and sick leave earned as of June 30, 2006, but not liquidated within the current operating cycle is recorded in the General Long-Term Debt Account Group.

Vacation days are earned by employees at a rate of 5 to 26 days per year.

Sick days are earned by employees at a rate of 1 day for each year of service at the beginning of every year plus 1 day per month during the year. Each employee will have 1 less sick day each year until a level of 13 annual sick days has been attained. An employee with no limitation may accumulate unused sick days. However, for payout purposes, sick leave is capped at 160 days or such higher cap as established as of July 1, 1988. Employees with 10 or more years of seniority are paid for fifty percent of their accumulated sick days up to their cap upon retirement or death. Employees with 15 or more years of seniority are paid one-third of accumulated sick days up to their cap upon voluntary resignation. Union employees hired after July 1, 1988, except for AFSCME (which is January 11, 1989), and non-union employees hired after November 1, 1988, earn sick days at the rate of .833 day per month. Unused sick days may be accumulated by an employee with no limitations, and with no payment of unused sick leave upon termination of employment.

NOTE 4: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

P.A. 621 of 1978 provides that cities and other local units of government shall not incur expenditures in excess of the amounts appropriated in the formal budget document adopted by the City Commission.

The following are the activities for which expenditures were made in excess of budget:

FUND	BUDGET	ACTUAL	VARIANCE UNFAVORABLE
General			
Attorney/Jury-witness	\$ 162,730.00	\$ 169,761.90	\$(7,031.90)
City Hall	108,493.00	112,440.58	(3,947.58)
Community Development and Enrichment	421,182.00	430,669.66	(9,487.66)
Special Revenue			
Mt. Hope Cemetery	144,710.00	145,441.37	(731.37)
Building Department	20,500.00	20,947.50	(447.50)
Public Safety Training	4,100.00	4,450.94	(350.94)
Housing Resource	505,662.00	980,296.92	(474,634.92)

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2006 are as follows:

FUND	DUE FROM	FUND	DUE TO
General	\$ 52,421.23	DDA	\$ 49,958.00
		Cemetery	1,518.80
		Tax Collection	944.43
Subtotal	<u>52,421.23</u>	Subtotal	<u>52,421.23</u>
Oakdale Development	<u>4,831.03</u>	TIFA III	<u>4,831.03</u>
DDA	2,524.41	General	11,068.89
LDFA	6,204.12		
TIFA I	1,418.31		
TIFA II	192.09		
TIFA III	717.25		
TIFA IV	<u>12.71</u>		
Subtotal	<u>11,068.89</u>	Subtotal	<u>11,068.89</u>
Wastewater	269,000.00	Motor Pool	311,306.00
Land Acquisition	<u>42,306.00</u>		
Subtotal	<u>311,306.00</u>	Subtotal	<u>311,306.00</u>
TIFA II	<u>10,617.50</u>	Parks	<u>10,617.50</u>
Oakdale Development	50,440.55	TIFA III	50,719.55
Wastewater	<u>279.00</u>		
Subtotal	<u>50,719.55</u>	Subtotal	<u>50,719.55</u>

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES - Concluded

FUND	DUE FROM	FUND	DUE TO
Major Street	\$ <u>178,636.82</u>	TIFA III	\$ <u>178,636.82</u>
Water Treatment Plant	5,480.85	Tax Collection	28,762.19
Water	5,697.67		
Parks	88.62		
2003 Special Assessment	874.77		
1996 Special Assessment	1,726.59		
1997 Special Assessment	5,964.01		
2001 Special Assessment	3,028.48		
2000 Special Assessment	482.47		
1998B Special Assessment	450.84		
2002 Special Assessment	4,641.10		
Capital Improvement	<u>326.79</u>		
Subtotal	<u>28,762.19</u>	Subtotal	<u>28,762.19</u>
Parks	127,663.08	2005 Equipment Financing	95,016.50
		TIFA IV	28,362.87
		TIFA III	<u>4,283.71</u>
Subtotal	<u>127,663.08</u>	Subtotal	<u>127,663.08</u>
TOTAL	\$ <u>776,026.29</u>	TOTAL	\$ <u>776,026.29</u>

RECONCILIATION TO STATEMENTS

	DUE FROM	DUE TO
Government funds	\$ 423,441.83	\$ 168,662.24
Proprietary funds		
Business-type	280,457.52	
Internal service		311,306.00
Fiduciary		29,706.62
Component unit	<u>72,126.94</u>	<u>266,351.43</u>
	\$ <u>776,026.29</u>	\$ <u>776,026.29</u>

The interfund receivables and payables were made for cash flow purposes.

NOTE 6: OPERATING TRANSFERS

The following are the operating transfers for the year ended June 30, 2006:

FUND	TRANSFERS IN	FUND	TRANSFERS OUT
Major Street	\$ 2,655.00	General	\$ 1,045,550.00
Local Street	120,848.00		
Police K-9	1,750.00		
Youth Mini Grant	5,000.00		
Parks and Recreation	259,304.00		
Mt. Hope Cemetery	82,344.00		
2002 Equipment Financing Debt	7,643.00		
Building Department	21,850.00		
2003 Equipment Financing Debt	73,940.00		
2001 Building Authority Bond	100,826.00		
2002 Building Authority Bond	168,524.00		
Capital Improvement	175,866.00		
Parking	<u>25,000.00</u>		
Subtotal	<u>1,045,550.00</u>	Subtotal	<u>1,045,550.00</u>
2002 Equipment Financing Debt	771.00	Major Street	372,836.00
2000 General Obligation Limited Tax Bond Debt	32,938.00		
1997 General Obligation Limited Tax Bond Debt	53,960.00		
1998 General Obligation Limited Tax Bond Debt	123,005.00		
1998B General Obligation Limited Tax Bond Debt	22,780.00		
2001 General Obligation Limited Tax Bond Debt	28,296.00		
2002 General Obligation Limited Tax Bond Debt	79,305.00		
2003 General Obligation Limited Tax Bond Debt	<u>31,781.00</u>		
Subtotal	<u>372,836.00</u>	Subtotal	<u>372,836.00</u>
2002 Equipment Financing Debt	<u>771.00</u>	Local Street	<u>771.00</u>
Major Street	355,398.16	Downtown Development Authority	26,781.35
		Tax Increment Finance Authority	<u>328,616.81</u>
Subtotal	<u>355,398.16</u>	Subtotal	<u>355,398.16</u>
2001 Building Authority Bond	29,932.00	Capital Improvement	47,855.76
Downtown Development Authority	5,000.00		
1996 General Obligation Limited Tax Bond Debt	<u>12,923.76</u>		
Subtotal	<u>47,855.76</u>	Subtotal	<u>47,855.76</u>
Mt. Hope Cemetery	<u>18,960.21</u>	Mt. Hope Cemetery Perpetual Care-expendable	<u>18,960.21</u>
2002 Equipment Financing Debt	5,994.00	Wastewater Treatment Plant	26,999.00
1999 Building Authority Bond	<u>21,005.00</u>		
Subtotal	<u>26,999.00</u>	Subtotal	<u>26,999.00</u>
2003 Special Assessment Bond	<u>29,991.86</u>	2003 Special Assessment Construction	<u>29,991.86</u>

NOTE 6: OPERATING TRANSFERS – Continued

FUND	TRANSFERS IN	FUND	TRANSFERS OUT
General	\$ 613,429.00	Motor Pool	\$ 60,000.00
		Waste Water Treatment Plant	300,000.00
		Local Development Finance Authority	16,287.00
		Brownfield Redevelopment	187.00
		Building Department	16,049.40
		Housing Resource	102,000.00
		Downtown Development Authority	38,886.00
		Tax Increment Finance Authority	80,020.00
Subtotal	<u>613,429.40</u>	Subtotal	<u>613,429.40</u>
Oakdale Development	<u>59,861.30</u>	Tax Increment Finance Authority	<u>59,861.30</u>
Tax Increment Finance Authority	799,752.16	General	1,049,398.64
Local Development Finance Authority	162,870.20		
Downtown Development Authority	84,903.51		
Brownfield Redevelopment	<u>1,872.77</u>		
Subtotal	<u>1,049,398.64</u>	Subtotal	<u>1,049,398.64</u>
Water Supply	<u>998.02</u>	Building Department	<u>998.02</u>
Parks and Recreation	<u>385,178.76</u>	Tax Increment Finance Authority	<u>385,178.76</u>
2002 Equipment Financing Debt	1,275.00	Motor Pool	34,882.00
1999 Building Authority Bond	<u>33,607.00</u>		
Subtotal	<u>34,882.00</u>	Subtotal	<u>34,882.00</u>
2002 Equipment Financing Debt	5,994.00	Water Supply	35,400.00
1999 Building Authority Bond	<u>29,406.00</u>		
Subtotal	<u>35,400.00</u>	Subtotal	<u>35,400.00</u>
2002 Equipment Financing Debt	<u>822.00</u>	Parks and Recreation	<u>822.00</u>
2001 Building Authority Bond	<u>26,782.00</u>	Oakdale Development	<u>26,782.00</u>
Wastewater	<u>23,000.00</u>	Tax Increment Finance Authority	<u>23,000.00</u>
Parking	<u>7,892.00</u>	Downtown Development Authority	<u>7,892.00</u>
Housing Resource	<u>180,000.00</u>	Land Acquisition	<u>180,000.00</u>
Downtown Development Authority	<u>307,500.00</u>	Housing Resource	<u>307,500.00</u>
2003 General Obligation Limited Tax Bond Debt	<u>50,277.66</u>	2003 General Obligation Construction	<u>50,277.66</u>
Local Street	<u>55,978.53</u>	1995 Special Assessment Bonds	<u>55,978.53</u>
2005 Equipment Financing Debt	<u>14,319.33</u>	Downtown Development Authority	<u>14,319.33</u>

NOTE 6: **OPERATING TRANSFERS** – Concluded

FUND	TRANSFERS IN	FUND	TRANSFERS OUT
2004 Equipment Financing Debt	\$ <u>3,748.00</u>	Mt. Hope Cemetery	\$ <u>3,748.00</u>
Land Acquisition	<u>23,266.00</u>	2002 Equipment Financing Debt	<u>23,266.00</u>
Parks and Recreation	195,291.00	Youth Mini Grant	5,000.00
		2005 Equipment Financing	56,020.00
		Land Acquisition	<u>134,271.00</u>
Subtotal	<u>195,291.00</u>	Subtotal	<u>195,291.00</u>
TOTAL	\$ <u>4,966,386.63</u>	TOTAL	\$ <u>4,966,386.63</u>

RECONCILIATION TO STATEMENTS

	TRANSFERS IN	TRANSFERS OUT
Government funds	\$ 3,547,597.97	\$ 3,528,076.08
Proprietary funds		
Business-type	56,890.02	362,399.00
Internal service		94,882.00
Component Unit	<u>1,361,898.64</u>	<u>960,690.57</u>
Subtotal	<u>4,966,386.63</u>	<u>4,946,047.65</u>
Component Unit Principal		<u>20,338.98</u>
TOTAL	\$ <u>4,966,386.63</u>	\$ <u>4,966,386.63</u>

These transfers were made for cash flow purposes.

NOTE 7: **CASH AND INVESTMENTS**

The cash equity of the various funds at June 30, 2006 is as follows:

FUND	COMMON CASH	OTHER CASH	INVESTMENTS	RESTRICTED CASH AND INVESTMENTS	TOTAL
General	\$ 612,915.79	\$ 1,037.11	\$ 1,841,292.90	\$	\$ 2,455,245.80
Major Street	5,117.59				5,117.59
Local Street	375,551.65				375,551.65
Parks and Recreation	274,510.56	8,960.77			283,471.33
Oakdale Development	59,714.74				59,714.74
Youth Mini-grant	377.04				377.04
Local Development					
Finance Authority		672,944.44			672,944.44
Drug Law Enforcement	16,884.33				16,884.33
D.A.R.E.	9,211.09				9,211.09
Public safety training	374.11				374.11

NOTE 7: CASH AND INVESTMENTS - Continued

FUND	COMMON CASH	OTHER CASH	INVESTMENTS	RESTRICTED CASH AND INVESTMENTS	TOTAL
Economic Development Corporation (12-31-05)	\$	\$ 6,365.09	\$	\$	\$ 6,365.09
Downtown Development Authority	18,664.64	106,818.76			125,483.40
Building Department	12,422.25				12,422.25
General forfeiture	10,863.12				10,863.12
Police K-9 Program	5,636.71				5,636.71
Tax Increment Finance Authority		1,607,348.75		350,223.30	1,957,572.05
2005 Equipment Financing Bonds		944,680.25			944,680.25
1997 General Obligation Limited Tax Bonds		2,007.87			2,007.87
1998 General Obligation Limited Tax Bonds		3,692.66			3,692.66
1998 Series B General Obligation Limited Tax Bonds		1,476.56			1,476.56
2000 General Obligation Limited Tax Bonds		1,564.82			1,564.82
2001 General Obligation Limited Tax Bonds		4,058.62			4,058.62
2003 Special Assessment Bonds		137,636.47			137,636.47
1996 Special Assessment Bonds		39,412.08			39,412.08
1997 Special Assessment Bonds		113,014.01			113,014.01
1998 Special Assessment Bonds	8,139.01	286,419.36			294,558.37
1998 Series B Special Assessment Bonds		27,100.84			27,100.84
2000 Special Assessment Bonds		14,750.33			14,750.33
2001 Special Assessment Bonds		70,575.21			70,575.21
2002 Special Assessment Bonds		107,533.44			107,533.44
Telephone Communication	2,009.63				2,009.63
Housing Resource	85,146.64				85,146.64
2002 Building Authority Bonds		20,804.21			20,804.21
2001 Building Authority Bonds		27,068.36			27,068.36
1999 Building Authority Bonds		32,963.61			32,963.61
Infrastructure	116,175.37				116,175.37
Land acquisition	365,884.47				365,884.47
Auto parking	30,982.61				30,982.61
Waste Water Treatment Plant	133,125.00			1,567,402.56	1,700,527.56
Water supply	590,574.19	100.00			590,674.19
Motor Pool	338,646.33				338,646.33
Mt. Hope Cemetery Perpetual Care	138,742.26				138,742.26
2002 General Obligation Limited Tax Bonds		25.44			25.44
2003 General Obligation Limited Tax Bonds		51,797.33			51,797.33
Information Technology	28,360.15				28,360.15
2002 Equipment Financing Debt Fund		207.39			207.39

NOTE 7: CASH AND INVESTMENTS – Continued

FUND	COMMON CASH	OTHER CASH	INVESTMENTS	RESTRICTED CASH AND INVESTMENTS	TOTAL
2003 Equipment Financing Debt Fund	\$	\$ 2,619.17	\$	\$	\$ 2,619.17
2004 Equipment Financing Debt Fund		540.21			540.21
Tax Collection	2,165.82				2,165.82
Payroll Clearing	78,915.43				78,915.43
Brownfield Redevelopment Authority		2,897.11			2,897.11
TOTAL	\$ <u>3,321,110.53</u>	\$ <u>4,296,420.27</u>	\$ <u>1,841,292.90</u>	\$ <u>1,917,625.86</u>	\$ <u>11,376,449.56</u>

RECONCILIATION TO STATEMENTS

	COMMON CASH	OTHER CASH	INVESTMENTS	RESTRICTED CASH AND INVESTMENTS	TOTAL
Government funds	\$ 2,097,666.73	\$ 1,899,946.12	\$ 1,841,292.90	\$	\$ 5,838,905.75
Proprietary funds					
Enterprise	754,681.80	100.00		1,567,402.56	2,322,184.36
Internal service	369,016.11				369,016.11
Fiduciary funds	81,081.25				81,081.25
Component units	<u>18,664.64</u>	<u>2,396,374.15</u>		<u>350,223.30</u>	<u>2,765,262.09</u>
TOTAL	\$ <u>3,321,110.53</u>	\$ <u>4,296,420.27</u>	\$ <u>1,841,292.90</u>	\$ <u>1,917,625.86</u>	\$ <u>11,376,449.56</u>

FINANCIAL STATEMENT
PRESENTATION

Cash	\$ 7,617,530.80
Investments	1,841,292.90
Restricted cash and investments	<u>1,917,625.86</u>
TOTAL	\$ <u>11,376,449.56</u>

City's Cash and Investment Pool

Custodial Credit Risk – Deposits. For deposits, custodial credit risk is the risk, that in the event of a bank failure, the City's deposits may not be returned to the government. As of June 30, 2006, \$10,314,892.93 of the City's total bank balance of \$11,563,461.45 (total book balance was \$11,376,449.56) was exposed to custodial credit risk as it was uninsured and uncollateralized.

The City's investment policy requires that only those banks or savings and loan institutions that are members of the FDIC or FSLIC will be considered for depository purposes, but recognizes that it is impractical to insure all bank deposits due to the limitations of depository insurance. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 7: **CASH AND INVESTMENTS – Concluded**

Custodial Credit Risk – Investments. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The County's investment policy requires that investment securities shall be kept in the City Finance Department in a fireproof vault, although certificates of deposit may be held in safekeeping by the financial institution.

Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper within the three highest rate classifications by at least two rating services, repurchase agreements collateralized by U. S. government securities, bankers acceptances and mutual funds composed of investments which are legal for direct investment by local units of government in Michigan.

The City has adopted a formal investment policy as required by Act 20, P. A. 1943 as amended, that complies with State law.

NOTE 8: **DEFINED BENEFIT PENSION PLAN**

Plan Description

The City participates in the Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the City of Lapeer, City Hall, Lapeer, Michigan.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units, and requires a contribution from the City of 9.15 to 20.39 percent of employee salaries.

Annual Pension Cost

For year ended December 31, 2005 the City's annual pension cost of \$417,306.00 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a five year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

	FISCAL YEAR ENDED DECEMBER 31,		
	2003	2004	2005
Annual pension cost	\$ 322,057	\$ 353,491	\$ 417,306
Percentage of APC contributed	100%	100%	100%
Net pension obligation			
Actuarial value of assets	9,380,754	9,823,323	10,357,383
Actuarial Accrued Liability (entry age)	11,968,367	12,853,822	14,070,488
Unfunded Actuarial Accrued Liability	2,587,613	3,030,499	3,713,105
Funded ratio	78.4%	76.4%	73.6%
Covered payroll	3,531,312	3,383,988	3,589,192
UAAL as a percentage of covered payroll	73.3%	89.6%	103.5%

NOTE 9: **LONG-TERM OBLIGATIONS**

The following is a summary of long-term debt transactions of the primary government and all component units for the year ended June 30, 2006:

	WATER AND SEWER REVENUE BONDS	GENERAL OBLIGATION BONDS	NOTES PAYABLE	COMPENSATED ABSENCES
As of July 1, 2005	\$ 315,000.00	\$ 9,455,000.00	\$ 651,105.96	\$ 587,084.70
Additions (Reductions)	(65,000.00)	(1,540,000.00)	811,265.83	16,696.68
As of June 30, 2006	\$ 250,000.00	\$ 7,915,000.00	\$ 1,462,371.79	\$ 603,781.38

Long-term debt at June 30, 2006 is comprised of the individual issues:

	BALANCE AS OF JULY 1, 2005	ADDITIONS (DEDUCTIONS)	BALANCE AS OF JUNE 30, 2006	DUE WITHIN ONE YEAR
BUSINESS-TYPE ACTIVITIES				
\$94,853.20 2005 Backhoe and loader loan due in annual installments of \$8,155.04 to \$10,947.90 through March 1, 2014; interest at 3.75%	\$ 85,424.29	\$(8,155.04)	\$ 77,269.25	\$ 8,460.86
\$395,000.00 1986 Water Supply System Revenue Bonds due in annual installments of \$25,000.00 to \$35,000.00 through May 1, 2006; interest at 7.125% to 7.375%.	35,000.00	(35,000.00)		
\$520,000.00 1987 Sewer Revenue Bonds due in annual installments of \$20,000.00 to \$50,000.00 through May 1, 2012; interest at 7.525% to 7.75%.	280,000.00	(30,000.00)	250,000.00	30,000.00
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 400,424.29	\$(73,155.04)	327,269.25	\$ 38,460.86
Less: Amount payable within one year			38,460.86	
TOTAL LONG-TERM DEBT BUSINESS-TYPE ACTIVITIES			\$ 288,808.39	
GOVERNMENTAL ACTIVITIES PRIMARY GOVERNMENT				
\$31,293.60 Backhoe and loader loan due in annual installments of \$2,690.48 to \$3,611.89 through March 1, 2014; interest at 3.75%	\$ 28,182.85	\$(2,690.49)	\$ 25,492.36	\$ 2,791.37
\$152,000.00 2005 Abstract Building installment and purchase loan in annual installments of \$14,319.33 through February 1, 2019; interest at 3.870%	152,000.00	(8,355.23)	143,644.77	8,683.07

NOTE 9: LONG-TERM OBLIGATIONS – Continued

	BALANCE AS OF JULY 1, 2005	ADDITIONS (DEDUCTIONS)	BALANCE AS OF JUNE 30, 2006	DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES - Continued				
PRIMARY GOVERNMENT				
\$205,000.00 2003 Special Assessment Bonds due in annual installments of \$15,000.00 to \$25,000.00 through December 1, 2012; interest at 2.20% to 5.20% per annum.	\$ 190,000.00	\$(25,000.00)	\$ 165,000.00	\$ 25,000.00
\$225,000.00 2003 General Obligation Tax Bonds due in annual installments of \$15,000.00 to \$30,000.00 through December 1, 2012; interest at 2.20% to 5.20% per annum.	210,000.00	(25,000.00)	185,000.00	25,000.00
\$200,000.00 2001 Special Assessment Bonds due in annual installments of \$5,000.00 to \$25,000.00 through December 1, 2010; interest at 3.90% per annum.	130,000.00	(20,000.00)	110,000.00	20,000.00
\$275,000.00 2001 General Obligation Limited Tax Bond due in annual installments of \$20,000.00 to \$50,000.00 through December 1, 2010; interest at 3.90% per annum.	215,000.00	(20,000.00)	195,000.00	20,000.00
\$288,000.00 Splash Park Loan due in annual installments of \$54,071.24 through March 1, 2012; interest at 3.60%.		288,000.00	288,000.00	44,555.40
\$682,000.00 Fire Equipment Loan due in annual installments of \$139,461.33 to \$118,114.43 through February 1, 2012; interest at 3.87%.		682,000.00	682,000.00	113,666.67
\$112,000.00 1996 Special Assessment Bonds due in annual installments of \$10,000.00 to \$15,000.00 through October 1, 2005; interest at 5.05% to 5.45%.	15,000.00	(15,000.00)		
\$90,000.00 1996 General Obligation Limited Tax Bond due in annual installments of \$10,000.00 to \$15,000.00 through October 1, 2005; interest at 5.05% to 5.45%.	15,000.00	(15,000.00)		

NOTE 9: **LONG-TERM OBLIGATIONS** - Continued

	BALANCE AS OF JULY 1, 2005	ADDITIONS (DEDUCTIONS)	BALANCE AS OF JUNE 30, 2006	DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES				
PRIMARY GOVERNMENT - Continued				
\$385,000.00 1997 General Obligation Tax Bonds due in annual installments of \$35,000.00 to \$50,000.00 through January 1, 2007; interest at 4.40% to 5.50%.	\$ 100,000.00	\$(50,000.00)	\$ 50,000.00	\$ 50,000.00
\$510,000.00 1997 Special Assessment Bonds due in annual installments of \$45,000.00 to \$60,000.00 through December 1, 2006; interest at 4.40% to 5.50%.	105,000.00	(60,000.00)	45,000.00	45,000.00
\$385,000.00 2002 Special Assessment Bonds due in annual installments of \$10,000.00 to \$45,000.00 through November 1, 2011; interest at 4.25% to 4.50%.	290,000.00	(40,000.00)	250,000.00	40,000.00
\$390,000.00 2002 General Obligation Tax Bonds due in annual installments of \$15,000.00 to \$75,000.00 through November 1, 2011; interest at 4.25% to 4.50%.	307,372.89	(39,661.02)	267,711.87	39,661.02
\$1,780,000.00 1998 Special Assessment Bonds due in annual installments of \$160,000.00 to \$215,000.00 through September 1, 2007; interest at 4.25% to 4.30%.	620,000.00	(200,000.00)	420,000.00	205,000.00
\$180,000.00 1998 Series B General Obligation Limited Tax Bonds due in annual installments of \$15,000.00 to \$20,000.00 through February 1, 2008; interest 3.85% to 6.85%.	60,000.00	(20,000.00)	40,000.00	20,000.00
\$134,000.00 1998 Series B Special Assessment Bonds due in annual installments of \$10,000.00 to \$15,000.00 through February 1, 2008; interest at 3.85% to 6.85%.	45,000.00	(15,000.00)	30,000.00	15,000.00
\$995,000.00 1999 Building Authority Bonds due in annual installment of \$45,000.00 to \$100,000.00 through September 1, 2013; interest at 4.15%.	695,000.00	(60,000.00)	635,000.00	65,000.00
\$1,000,000.00 1998 General Obligation Tax Bonds due in annual installments of \$90,000.00 to \$125,000.00 through September 1, 2007; interest at 4.25% to 4.30%.	350,000.00	(110,000.00)	240,000.00	115,000.00

NOTE 9: LONG-TERM OBLIGATIONS - Continued

	BALANCE AS OF JULY 1, 2005	ADDITIONS (DEDUCTIONS)	BALANCE AS OF JUNE 30, 2006	DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES				
PRIMARY GOVERNMENT - Concluded				
\$270,000.00 2000 General Obligation Limited Tax Bonds due in annual installments of \$20,000.00 to \$50,000.00 through December 1, 2009; interest at 4.70%.	\$ 175,000.00	\$(25,000.00)	\$ 150,000.00	\$ 25,000.00
\$1,705,000.00 2001 Building Authority Bonds due in annual installments of \$85,000.00 to \$155,000.00 through April 1, 2016; interest at 4.00% to 4.70%.	1,345,000.00	(100,000.00)	1,245,000.00	100,000.00
\$75,000.00 2000 Special Assessment Bonds due in annual installments of \$5,000.00 to \$10,000.00 through December 1, 2009; interest at 4.70%.	40,000.00	(5,000.00)	35,000.00	10,000.00
\$1,285,000.00 2002 Building Authority Bonds due in annual installments of \$110,000.00 to \$150,000.00 through October 1, 2012; interest at 3.00% to 3.75%.	1,010,000.00	(140,000.00)	870,000.00	140,000.00
\$285,000.00 Fire Truck Attachments loan due in annual installments of \$76,349.59 through January 1, 2007; interest included at 2.83%.	146,453.32	(72,204.96)	74,248.36	74,248.36
Accumulated compensated absences	<u>587,084.70</u>	<u>16,696.68</u>	<u>603,781.38</u>	
TOTAL PRIMARY GOVERNMENT	<u>6,831,093.76</u>	<u>(81,215.02)</u>	<u>6,749,878.74</u>	<u>1,203,605.89</u>
GOVERNMENTAL ACTIVITIES				
INTERNAL SERVICE				
\$94,853.20 2006 Backhoe and loader loan due in annual installments of \$8,155.04 to \$10,947.90 through March 1, 2014; interest at 3.75%.	85,424.29	(8,155.04)	77,269.25	8,460.86
\$67,308.00 Computer loan due in annual installments of \$18,362.56 through November 1, 2006; interest included at 3.535%.	34,841.02	(17,113.82)	17,727.20	17,727.20
\$115,800.00 Street Sweeper loan due in annual installments of \$17,306.21 through August 1, 2010; interest included at 4.15%.	90,280.19	(13,559.59)	76,720.60	14,122.31

NOTE 9: **LONG-TERM OBLIGATIONS** - Continued

	BALANCE AS OF JULY 1, 2005	ADDITIONS (DEDUCTIONS)	BALANCE AS OF JUNE 30, 2006	DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES				
INTERNAL SERVICE - Concluded				
\$25,000.00 Police Vehicle loan due in annual installments of \$12,804.17 to \$13,108.33 through March 1, 2006; interest at 4.00%	\$ 12,500.00	\$ (12,500.00)	\$	\$
\$46,000.00 Computer Installment Purchase Agreement due in annual installments Of \$15,000.00 to \$16,000.00 through March 1, 2006; interest at 1.70%	<u>16,000.00</u>	<u>(16,000.00)</u>	<u> </u>	<u> </u>
TOTAL INTERNAL SERVICE	<u>239,045.50</u>	<u>(67,328.45)</u>	<u>171,717.05</u>	<u>40,310.37</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>7,070,139.26</u>	\$ <u>(148,543.47)</u>	6,921,595.79	\$ <u>1,243,916.26</u>
Less: Amount payable within one year			<u>1,243,916.26</u>	
TOTAL LONG-TERM DEBT GOVERNMENTAL ACTIVITIES			\$ <u>5,677,679.53</u>	
COMPONENT UNITS				
\$5,730,000.00 Tax Increment Revenue Refunding Bond due in annual installments of \$275,000.00 to \$575,000.00 through June 1, 2012; interest at 4.50% to 5.50%. On the balance sheet the principal amount is netted with the bond discount.	\$ 3,380,000.00	\$ (535,000.00)	\$ 2,845,000.00	\$ 575,000.00
\$200,000 2002 General Obligation Tax bonds due in installments of \$16,949.15 to \$25,423.73 through November 1, 2011; interest at 4.25% to 4.30%	<u>157,627.11</u>	<u>(20,338.98)</u>	<u>137,288.13</u>	<u>20,338.98</u>
TOTAL COMPONENT UNIT	\$ <u>3,537,627.11</u>	\$ <u>(555,338.98)</u>	2,982,288.13	\$ <u>595,338.98</u>
Less: Amount due within one year			<u>(595,338.98)</u>	
TOTAL LONG-TERM DEBT COMPONENT UNITS			\$ <u>2,386,949.15</u>	

NOTE 9: **LONG-TERM OBLIGATIONS** – Concluded

The annual requirements to pay future principal and interest are as follows:

		BUSINESS- TYPE ACTIVITIES	GOVERNMENTAL FUNDS	COMPONENT UNITS	TOTAL
YEAR ENDING JUNE 30,					
2007	Principal	\$ 38,460.86	\$ 1,243,916.26	\$ 595,338.98	\$ 1,877,716.10
	Interest	14,847.60	235,354.10	162,052.96	412,254.66
	Total	53,308.46	1,479,270.36	757,391.94	2,289,970.76
2008	Principal	43,778.14	1,084,041.26	485,338.98	1,613,158.38
	Interest	13,105.32	189,758.20	129,563.56	332,427.08
	Total	56,883.46	1,273,799.46	614,902.54	1,945,585.46
2009	Principal	49,107.32	767,061.04	460,338.98	1,276,507.34
	Interest	11,096.13	153,191.80	103,119.07	267,407.00
	Total	60,203.45	920,252.84	563,458.05	1,543,914.34
2010	Principal	54,448.85	795,136.96	485,423.73	1,335,009.54
	Interest	8,794.61	122,623.86	77,922.46	209,340.93
	Total	63,243.46	917,760.82	563,346.19	1,544,350.47
2011	Principal	59,803.18	738,403.29	500,423.73	1,298,630.20
	Interest	1,190.28	92,286.39	51,491.10	144,967.77
	Total	60,993.46	830,689.68	551,914.83	1,443,597.97
2012 – 2016	Principal	81,670.90	1,649,464.68	455,423.73	2,186,559.31
	Interest	(255.54)	155,611.76	24,222.03	179,578.25
	Total	81,415.36	1,805,076.44	479,645.76	2,366,137.56
2017 – 2021	Principal		39,790.92		39,790.92
	Interest		3,167.07		3,167.07
	Total		42,957.99		42,957.99
TOTAL	Principal	327,269.25	6,317,814.41	2,982,288.13	9,627,371.79
	Interest	48,778.40	951,993.18	548,371.18	1,549,142.76
	Total	376,047.65	7,269,807.59	3,530,659.31	11,176,514.55

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

NOTE 10: **FUND EQUITY RESERVES AND DESIGNATIONS**

Fund Balances:

Reserved for Cemetery Perpetual Care

This amount reflects the fund balance of the Mt. Hope Cemetery Perpetual Care Fund restricted for perpetual care maintenance.

Reserved for Prepaid Expenses

These amounts have been reserved to segregate a portion of fund balance for prepaid expenses that appear as an asset on the balance sheet.

Reserved for Inventory

These amounts have been reserved to segregate a portion of fund balance for inventory that appears as an asset on the balance sheet.

Reserved for Receivables

These amounts have been reserved to segregate a portion of fund balance for accounts receivable that appears as an asset on the balance sheet.

Reserved for Operation Maintenance

These amounts have been reserved to segregate a portion of fund balance for maintaining operations.

Reserved for Replacement

These amounts have been reserved to segregate a portion of fund balance for replacement expenditures.

Reserved for Improvements

These amounts have been reserved to segregate a portion of fund balance for purchasing improvements.

Designated for Debt Service

All Debt Service Funds' fund balances are designated by City management to be utilized for future debt service expenditures.

NOTE 11: **SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City maintains three Enterprise Funds which provide auto parking, water and sewer services. Segment information for the year ended June 30, 2006, is as follows:

	AUTO PARKING FUND	WASTE WATER TREATMENT PLANT FUND	WATER SUPPLY FUND	TOTAL
Total assets	\$ 401,077.96	\$ 8,795,736.75	\$ 2,972,193.67	\$ 12,169,008.38
Total liabilities	246.43	408,470.93	111,544.70	520,262.06
Contributed capital	329,999.93	6,013,061.60		6,343,061.53
Total net assets	70,831.60	2,391,125.94	2,860,648.97	5,322,606.51
Operating revenues	49,733.52	2,252,765.90	2,128,654.75	4,431,154.17
Operating expenses	67,972.87	1,849,506.68	1,800,654.47	3,718,134.02
Depreciation expense	2,685.48	350,681.76	71,349.09	424,716.33
Operating income (loss)	(18,239.35)	403,259.22	328,000.28	713,020.15
Nonoperating revenues	925.70	26,596.00	4,888.57	32,410.27
Transfers	32,892.00	(303,999.00)	(34,401.98)	(305,508.98)
Change in net assets	15,578.35	125,856.22	298,486.87	439,921.44
Beginning net assets	55,253.25	2,018,963.40	2,562,162.10	4,636,378.75
Ending net assets	70,831.60	2,391,125.94	2,860,648.97	5,322,606.51
Operating activities	(15,132.51)	490,501.53	254,196.12	729,565.14
Noncapital and related financing activities	32,892.00	(303,999.00)	(34,401.98)	(305,508.98)
Capital and related financing activities		(252,760.42)	224,968.48	(27,791.94)
Investing activities	925.70	62,253.70	16,881.44	80,060.84
Cash and cash equivalents – beginning	12,297.42	137,129.19	129,030.13	278,456.74
Cash and cash equivalents – ending	30,982.61	133,125.00	590,674.19	754,781.80

NOTE 12: **CAPITAL ASSETS**

A summary of changes in governmental capital assets including internal service fund assets are as follows:

	JULY 1, 2005	PRIOR PERIOD ADJUSTMENT	ADDITIONS	DELETIONS	TRANSFERS	JUNE 30, 2006
Capital assets not being depreciated						
Construction in progress	\$ 1,354,928.85	\$	\$ 1,100,013.67	\$ 166,402.84	\$(1,354,928.85)	\$ 933,610.83
Land	<u>9,504,661.18</u>	<u>13,444,135.00</u>				<u>22,948,796.18</u>
Total Capital assets not being depreciated	<u>10,859,590.03</u>	<u>13,444,135.00</u>	<u>1,100,013.67</u>	<u>166,402.84</u>	<u>(1,354,928.85)</u>	<u>23,882,407.01</u>
Capital assets being depreciated						
Buildings	5,311,162.67		279,499.07	14,959.52	25,175.10	5,600,877.32
Improvements	3,308,879.75			162,887.95		3,145,991.80
Machinery and equipment	4,536,393.41		324,470.79	1,414,974.95		3,445,889.25
Infrastructure	<u>890,678.49</u>	<u>34,637,660.96</u>	<u>37,411.88</u>	<u>168,200.35</u>	<u>1,329,753.75</u>	<u>36,727,304.73</u>
Total Capital assets being depreciated	<u>14,047,114.32</u>	<u>34,637,660.96</u>	<u>641,381.74</u>	<u>1,761,022.77</u>	<u>1,354,928.85</u>	<u>48,920,063.10</u>

NOTE 12:

CAPITAL ASSETS - Continued

	JULY 1, 2005	PRIOR PERIOD ADJUSTMENT	ADDITIONS	DELETIONS	TRANSFERS	JUNE 30, 2006
Less: accumulated depreciation						
Buildings	\$ 1,181,899.96	\$	\$ 132,196.05	\$ 37,850.52		\$ 1,276,245.49
Improvements	1,524,125.69		153,039.47	71,491.26		1,605,673.90
Machinery and equipment	3,708,055.48		281,051.84	1,440,678.73		2,548,428.59
Infrastructure	<u>125,540.18</u>		<u>45,229.18</u>	<u>20,737.28</u>		<u>150,032.08</u>
Total Accumulated Depreciation	<u>6,539,621.31</u>		<u>611,516.54</u>	<u>1,570,757.79</u>		<u>5,580,380.06</u>
Total Capital Assets being depreciated - Net	<u>7,507,493.01</u>	<u>34,637,660.96</u>	<u>29,865.20</u>	<u>190,264.98</u>	<u>(1,354,928.85)</u>	<u>43,339,683.04</u>
NET CAPITAL ASSETS	<u>\$18,367,083.04</u>	<u>\$48,081,795.96</u>	<u>\$ 1,129,878.87</u>	<u>\$ 356,667.82</u>	<u>\$</u>	<u>\$67,222,090.05</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
General government	\$ 142,146.45
Public safety	138,270.92
Public works	181,760.59
Community development	22,169.16
Streets	81,414.79
Recreation	<u>45,754.63</u>
TOTAL DEPRECIATION EXPENSE GOVERNMENTAL ACTIVITIES	<u>\$ 611,516.54</u>

A summary of the asset activity for the governmental activity component units are as follows:

	JULY 1, 2005	ADDITIONS	DELETIONS	JUNE 30, 2006
COMPONENT UNITS				
Land	\$ 375,173.89	\$	\$	\$ 375,173.89
Buildings	6,761,017.46	19,590.00	4,642.00	6,775,965.46
Improvements	700.00		700.00	
Equipment	5,023.29		5,023.29	
Construction in progress		<u>340,817.81</u>		<u>340,817.81</u>
Total Capital Assets	<u>7,141,914.64</u>	<u>360,407.81</u>	<u>10,365.29</u>	<u>7,491,957.16</u>
Less: accumulated depreciation				
Buildings	2,038,528.68	171,872.43	1,401.55	2,208,999.56
Improvements	420.19		420.19	
Equipment	<u>5,023.29</u>		<u>5,023.29</u>	
Total Accumulated Depreciation	<u>2,043,972.16</u>	<u>171,872.43</u>	<u>6,845.03</u>	<u>2,208,999.56</u>
NET CAPITAL ASSETS	<u>\$ 5,097,942.48</u>	<u>\$ 188,535.38</u>	<u>\$ 3,520.26</u>	<u>\$ 5,282,957.60</u>

NOTE 12: **CAPITAL ASSETS – Concluded**

Capital assets for business-type activities have been summarized as follows:

	JULY 1, 2005	ADDITIONS	DELETIONS	TRANSFERS	JUNE 30, 2006
BUSINESS-TYPE ACTIVITIES					
Capital assets not being depreciated					
Construction in progress	\$ 868,881.30	\$ 96,537.47	\$ 11,324.60	\$(886,104.11)	\$ 67,990.06
Land	<u>797,815.60</u>	<u>397.15</u>			<u>798,212.75</u>
Total capital assets not being depreciated	<u>1,666,696.90</u>	<u>96,934.62</u>	<u>11,324.60</u>	<u>(886,104.11)</u>	<u>866,202.81</u>
Capital assets being depreciated					
Buildings	12,019,032.32	23,845.00	20,488.79		12,022,388.53
Machinery and equipment	2,059,889.42	63,911.95	396,466.12		1,727,335.25
Infrastructure	5,505,338.37	11,730.96	8,412.83	886,104.11	6,394,760.61
Improvements	<u>556,186.46</u>		<u>5,389.53</u>		<u>550,796.93</u>
Total Capital assets being depreciated	<u>20,140,446.57</u>	<u>99,487.91</u>	<u>430,757.27</u>	<u>886,104.11</u>	<u>20,695,281.32</u>
Less: accumulated depreciation					
Buildings	6,678,316.76	275,208.75	14,191.12		6,939,334.39
Machinery and equipment	1,716,656.81	70,818.15	383,767.95		1,403,707.01
Infrastructure	3,648,195.20	75,346.78	10,333.15		3,713,208.83
Improvements	<u>514,978.20</u>	<u>3,271.18</u>	<u>5,099.72</u>		<u>513,149.66</u>
Total Accumulated Depreciation	<u>12,558,146.97</u>	<u>424,644.86</u>	<u>413,391.94</u>		<u>12,569,399.89</u>
Total Capital Assets being depreciated	<u>7,582,299.60</u>	<u>(325,156.95)</u>	<u>17,365.33</u>	<u>886,104.11</u>	<u>8,125,881.43</u>
NET CAPITAL ASSETS	<u>\$ 9,248,996.50</u>	<u>\$(228,222.33)</u>	<u>\$ 28,689.93</u>	<u>\$</u>	<u>\$ 8,992,084.24</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Auto Parking	\$ 2,614.01
Wastewater	350,681.76
Water	<u>71,349.09</u>
	<u>\$ 424,644.86</u>

NOTE 13: **AMORTIZATION OF CONTRIBUTED CAPITAL**

The City has received grants from the state and federal governments for the purpose of constructing and equipping a waste water treatment plant. This plant was completed and placed into service during the year ended June 30, 1985. The contributions are being amortized over the useful lives of the assets acquired.

NOTE 14: TAX INCREMENT FINANCE AUTHORITY (TIFA)

The Tax Increment Finance Authority was established by the Lapeer City Commission on April 19, 1982, in accordance with Act 450 of P.A. 1980. In addition, the Lapeer City Commission designated the members of the Lapeer City Economic Development Corporation Board of Directors to constitute the Board of the Tax Increment Finance Authority (TIFA).

NOTE 15: DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

The Downtown Development Authority was established by the Lapeer City Commission on November 24, 1982, in accordance with Act 197 of P.A. 1975. Its purpose is to serve the best interest of the public in halting property value deterioration and to increase property tax valuation in the City's business district. The Authority will also promote economic growth.

NOTE 16: LOCAL DEVELOPMENT FINANCE AUTHORITY (LDFA)

The Local Development Finance Authority was established by the Lapeer City Commission on April 20, 1987 in accordance with Act 281 of 1986. Its purpose is to provide a means for local units of government to eliminate conditions of unemployment, underemployment, and joblessness and to promote economic growth through the use of Tax Increment Financing.

NOTE 17: BROWNFIELD REDEVELOPMENT AUTHORITY

The Brownfield Redevelopment Authority was established by the Lapeer City Commission on January 19, 1998, in accordance with Act 381 of P.A. 1996. Its purpose is to promote the revitalization of environmentally distressed areas.

NOTE 18: LITIGATION

There are several lawsuits pending in which the City is involved. The attorney representing the City estimates that the potential claims against the City, not covered by insurance, resulting from such litigation would not materially affect the financial statements of the City.

NOTE 19: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

The City of Lapeer adopted a new 457 plan document, which incorporates the recent changes to the law governing 457 deferred compensation plans. The most notable change in the plan provides that the employer establish a plan level trust in which all amounts deferred must be placed and held for the exclusive benefit of plan participants and their beneficiaries. As a result of this change, the plan assets are no longer subject to claims of the City's general creditors.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are for the exclusive benefit of the employee or their beneficiary.

It is the opinion of the City that the City has no liability for losses under the plan, but does have a duty of care that would be required of an ordinary prudent investor. Therefore, the deferred compensation assets and liabilities have been removed from the City's fiduciary fund as is no longer required to be shown in the financial statements for future years.

NOTE 20: ECONOMIC DEVELOPMENT CORPORATION

The Economic Development Corporation is organized pursuant to the State of Michigan, Public Act 338 of 1974, as amended, and the City of Lapeer, Michigan Ordinances. The primary purpose of the Corporation is to encourage and assist commercial enterprises to locate and expand facilities and services to the City and its residents. This purpose is accomplished by the Corporation entering into lease contracts with commercial enterprises. In accordance with the terms of the lease contracts, the Corporation agrees to issue revenue bonds and the commercial enterprise agrees to make lease payments in amounts equal to the bond principal plus interest. The bond proceeds are used to finance a project, which will benefit the commercial enterprise. The ownership of the project is transferred to the commercial enterprise when the bonds are paid in full. The revenue bonds are payable from the net revenues derived from the project and are collateralized by a mortgage on the project and the lease contract.

The bonds issued by the Corporation and payable from net revenues are not a general obligation of the Corporation, therefore, the bonds and related lease contracts are not reflected in the financial statements of the Corporation.

As of December 31, 2005, the date of the most recent audit, the Corporation has issued the following revenue bonds:

	DATE OF BOND CLOSING	AMOUNT OF REVENUE BONDS ISSUED
First National Bank of Lapeer	12/17/79	\$ 500,000.00
Growth & Opportunity	11/02/79	275,000.00
Peninsular Slate	12/28/79	200,000.00
Doc Development Company	12/21/79	363,000.00
Houghtaling Project	02/11/80	180,000.00
Dowsett Project	11/10/80	300,000.00
The Thread Forms, Inc. Project	11/06/81	400,000.00
MESC Project	02/28/82	323,300.00
Lapeer Foundry & Machine, Inc.	03/11/82	950,000.00
DeMille Industrial Development	06/18/82	200,000.00
The Whitman Project	06/30/83	368,806.00
Growth & Oppor. Inc. II Project	08/22/83	625,000.00
Barnard & Balaze Project	12/28/83	209,000.00
J.L. Avery Project	01/05/84	250,000.00
Lapeer Medical Center	01/17/84	475,000.00
Growth & Opportunity, Inc.	02/13/84	600,000.00
C & P Partnership Project	06/26/85	616,000.00
Copres Leasing Company	12/30/85	806,000.00
The Lapeer Association, Ltd.	06/20/86	1,500,000.00
Lapeer Enterprise Center	12/29/86	298,531.00
Albar Industries Inc.	11/15/89	3,500,000.00
Dott Manufacturing	11/15/89	4,128,000.00
Lapeer Regional Hospital	06/01/91	1,980,170.00
Vidon Plastics	07/05/95	1,075,000.00
JMA Development, Inc.	09/22/95	1,347,000.00
JMA Development, Inc.	06/17/99	4,000,000.00

NOTE 21: POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the City provides post retirement health care benefits to all of its retired employees and surviving spouses. Currently, the City is paying the health care premiums for 35 retirees. During the year, approximately \$337,750.57 was paid for post retirement health care.

NOTE 22: **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to purchase commercial insurance for most risks of loss to which it is exposed.

NOTE 23: **FUND DEFICITS**

Mt. Hope Cemetery	\$(<u>5,064.70</u>)
2006 General Obligation Construction	\$(<u>276.04</u>)
2006 Special Assessment Construction	\$(<u>159.47</u>)
Information Technology	\$(<u>7,969.49</u>)
Telephone Communication	\$(<u>128.09</u>)

NOTE 24: **CONTINUING DISCLOSURE COMPLIANCE**

The schedules in the continuing disclosure section fulfill the continuing disclosure requirements for the various bond issues listed below:

1998 TIFA Revenue
1995 General Obligation and Special Assessment Bonds
1998 General Obligation and Special Assessment Bonds
2001 Building Authority
2002 Building Authority Refunding

NOTE 25: **PRIOR PERIOD ADJUSTMENT**

Prior period adjustment	\$ <u>48,081,795.96</u>
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This is to record the infrastructure from prior years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes				
Property taxes	\$ 2,545,430.00	\$ 2,545,430.00	\$ 2,547,151.20	\$ 1,721.20
Penalties and interest	52,000.00	52,000.00	69,808.02	17,808.02
City income taxes	<u>2,200,000.00</u>	<u>2,200,000.00</u>	<u>2,318,484.99</u>	<u>118,484.99</u>
Total Taxes	<u>4,797,430.00</u>	<u>4,797,430.00</u>	<u>4,935,444.21</u>	<u>138,014.21</u>
Federal Grants				
Federal Drug Grant (TNU)	32,000.00	32,000.00	37,375.86	5,375.86
MSHDA Section 8	79,187.00	50,500.00	57,708.50	7,208.50
Highway safety	1,500.00	1,500.00	8,223.19	6,723.19
School liaison officer	<u>30,080.00</u>	<u>30,080.00</u>	<u>25,280.00</u>	<u>(4,800.00)</u>
Total Federal Grants	<u>142,767.00</u>	<u>114,080.00</u>	<u>128,587.55</u>	<u>14,507.55</u>
Licenses and Permits				
Licenses	500.00	500.00	726.00	226.00
Permits	<u>4,550.00</u>	<u>4,550.00</u>	<u>7,318.26</u>	<u>2,768.26</u>
Total Licenses and Permits	<u>5,050.00</u>	<u>5,050.00</u>	<u>8,044.26</u>	<u>2,994.26</u>
Intergovernmental				
Sales tax	729,613.00	729,613.00	811,246.00	81,633.00
Liquor licenses	<u>8,000.00</u>	<u>8,000.00</u>	<u>9,725.10</u>	<u>1,725.10</u>
Total Intergovernmental	<u>737,613.00</u>	<u>737,613.00</u>	<u>820,971.10</u>	<u>83,358.10</u>
Charges for Services				
Administrative fees	336,346.00	336,346.00	336,636.91	290.91
Copies	4,000.00	4,000.00	4,782.00	782.00
Fire runs and protection	290,000.00	315,000.00	350,576.63	35,576.63
Other services			120.00	120.00
IFT application fee	1,500.00	1,500.00	3,700.00	2,200.00
Other fees	36,522.00	36,522.00	36,440.16	(81.84)
Cable franchise fees	<u>70,000.00</u>	<u>70,000.00</u>	<u>75,425.84</u>	<u>5,425.84</u>
Total Charges for Services	<u>738,368.00</u>	<u>763,368.00</u>	<u>807,681.54</u>	<u>44,313.54</u>
Fines and Forfeits				
Court fines	<u>41,500.00</u>	<u>41,500.00</u>	<u>48,818.82</u>	<u>7,318.82</u>

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - Continued

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES - Concluded				
Other Revenues				
Interest on investments	\$ 50,000.00	\$ 50,000.00	\$ 122,661.74	\$ 72,661.74
Rentals	8,250.00	8,250.00	11,571.00	3,321.00
Reimbursements	95,200.00	95,200.00	110,992.44	15,792.44
Miscellaneous			17,078.29	17,078.29
Sale of tax map books			45.00	45.00
Contributions	<u>5,700.00</u>	<u>12,300.00</u>	<u>14,567.40</u>	<u>2,267.40</u>
Total Other Revenues	<u>159,150.00</u>	<u>165,750.00</u>	<u>276,915.87</u>	<u>111,165.87</u>
TOTAL REVENUES	<u>6,621,878.00</u>	<u>6,624,791.00</u>	<u>7,026,463.35</u>	<u>401,672.35</u>
EXPENDITURES				
General Government				
Legislative	77,473.00	70,873.00	52,577.57	18,295.43
Executive/Clerk	422,186.00	422,186.00	350,229.70	71,956.30
Assessor's office	160,421.00	160,421.00	126,494.52	33,926.48
Income tax	159,101.00	162,648.00	156,739.81	5,908.19
Attorney/Jury-Witness	121,130.00	162,730.00	169,761.90	(7,031.90)
Elections	21,522.00	23,103.00	11,308.81	11,794.19
City Hall	108,493.00	108,493.00	112,440.58	(3,947.58)
Board of review	3,294.00	3,294.00	1,156.94	2,137.06
Accounting and data processing	451,306.00	455,660.00	405,007.41	50,652.59
Cable advisory board	<u>7,315.00</u>	<u>2,315.00</u>	<u>1,056.99</u>	<u>1,258.01</u>
Total General Government	<u>1,532,241.00</u>	<u>1,571,723.00</u>	<u>1,386,774.23</u>	<u>184,948.77</u>
Public Safety				
Police	2,081,564.00	2,073,891.00	2,026,008.34	47,882.66
Fire	<u>619,932.00</u>	<u>607,899.00</u>	<u>544,297.39</u>	<u>63,601.61</u>
Total Public Safety	<u>2,701,496.00</u>	<u>2,681,790.00</u>	<u>2,570,305.73</u>	<u>111,484.27</u>
Public Works				
Public services	<u>819,276.00</u>	<u>821,663.00</u>	<u>812,270.59</u>	<u>9,392.41</u>
Community development and enrichment	<u>411,388.00</u>	<u>421,182.00</u>	<u>430,669.66</u>	<u>(9,487.66)</u>
Other Functions				
Contingency	151,000.00	73,434.00		73,434.00
Contributions to other units	<u>73,760.00</u>	<u>94,460.00</u>	<u>48,844.40</u>	<u>45,615.60</u>
Total Other Functions	<u>224,760.00</u>	<u>167,894.00</u>	<u>48,844.40</u>	<u>119,049.60</u>
TOTAL EXPENDITURES	<u>5,689,161.00</u>	<u>5,664,252.00</u>	<u>5,248,864.61</u>	<u>415,387.39</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - Concluded
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
EXCESS OF REVENUES OVER EXPENDITURES	\$ 932,717.00	\$ 960,539.00	\$ 1,777,598.74	\$ 817,059.74
OTHER FINANCING SOURCES (USES)				
Operating transfers in	676,012.00	584,012.00	613,429.40	29,417.40
Operating transfers out	(2,143,342.00)	(2,204,267.00)	(2,094,948.64)	109,318.36
TOTAL OTHER FINANCING SOURCES (USES)	(1,467,330.00)	(1,620,255.00)	(1,481,519.24)	138,735.76
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(534,613.00)	(659,716.00)	296,079.50	955,795.50
FUND BALANCE, JULY 1	2,320,293.56	2,320,293.56	2,320,293.56	
FUND BALANCE, JUNE 30	\$ 1,785,680.56	\$ 1,660,577.56	\$ 2,616,373.06	\$ 955,795.50

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

HOUSING RESOURCE FUND

FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Federal grants	\$ 575,000.00	\$ 680,900.00	\$ 842,680.00	\$ 161,780.00
State grants	37,500.00	37,500.00	409,598.12	372,098.12
Other revenues	16,762.00	16,762.00		(16,762.00)
TOTAL REVENUES	629,262.00	735,162.00	1,252,278.12	517,116.12
EXPENDITURES				
Community development and enrichment	219,762.00	505,662.00	980,296.92	(474,634.92)
EXCESS OF REVENUES OVER EXPENDITURES	409,500.00	229,500.00	271,981.20	42,481.20
OTHER FINANCING SOURCES (USES)				
Operating transfers in		180,000.00	180,000.00	
Operating transfers out	(409,500.00)	(409,500.00)	(409,500.00)	
TOTAL OTHER FINANCING SOURCES (USES)	(409,500.00)	(229,500.00)	(229,500.00)	
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES			42,481.20	42,481.20
FUND BALANCE, JULY 1	19,984.99	19,984.99	19,984.99	
FUND BALANCE, JUNE 30	\$ 19,984.99	\$ 19,984.99	\$ 62,466.19	\$ 42,481.20

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARKS AND RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Charges for services	\$ 1,115,392.00	\$ 1,115,392.00	\$ 1,237,829.21	\$ 122,437.21
Interest and rent	57,450.00	57,450.00	60,021.87	2,571.87
Other revenues	86,150.00	401,150.00	495,893.65	94,743.65
Intergovernmental - state	150,000.00	701,265.00	143,792.25	(557,472.75)
TOTAL REVENUES	<u>1,408,992.00</u>	<u>2,275,257.00</u>	<u>1,937,536.98</u>	<u>(337,720.02)</u>
EXPENDITURES				
Culture and recreation	<u>2,248,102.00</u>	<u>3,330,948.00</u>	<u>2,595,114.55</u>	<u>735,833.45</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(839,110.00)</u>	<u>(1,055,691.00)</u>	<u>(657,577.57)</u>	<u>398,113.43</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	886,634.00	1,103,215.00	839,773.76	(263,441.24)
Operating transfers out	<u>(40,322.00)</u>	<u>(40,322.00)</u>	<u>(822.00)</u>	<u>39,500.00</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>846,312.00</u>	<u>1,062,893.00</u>	<u>838,951.76</u>	<u>(223,941.24)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	7,202.00	7,202.00	181,374.19	174,172.19
FUND BALANCE, JULY 1	<u>291,668.37</u>	<u>291,668.37</u>	<u>291,668.37</u>	
FUND BALANCE, JUNE 30	<u>\$ 298,870.37</u>	<u>\$ 298,870.37</u>	<u>\$ 473,042.56</u>	<u>\$ 174,172.19</u>

GENERAL FUND

The General Fund exists to account for the resources devoted to finance the services traditionally associated with local government. Included in these services are police and fire protection, public works and general administration of the City. Any other activity for which a special fund has not been created is accounted for in the General Fund.

CITY OF LAPEER, MICHIGAN
BALANCE SHEET
GENERAL FUND
JUNE 30, 2006
WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	2006	2005
ASSETS		
Cash	\$ 613,952.90	\$ 542,315.37
Investments	1,841,292.90	1,530,000.00
Receivables		
Accounts	98,827.36	132,728.51
Property taxes	243,981.90	218,723.33
Due from other funds	52,421.23	98,413.94
Due from other governmental units	12,413.91	10,678.38
Due from state	108,003.00	108,910.00
Inventory	15,233.08	13,512.02
Prepaid expense	84,987.71	80,604.58
TOTAL ASSETS	\$ 3,071,113.99	\$ 2,735,886.13
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 94,933.24	\$ 113,766.88
Accrued payroll and payroll taxes	83,090.67	68,239.41
Due to other funds	11,068.89	3,961.59
Due to other units	150,129.74	145,380.39
Security deposits	72,846.00	55,354.75
Due to state	42,672.39	28,889.55
TOTAL LIABILITIES	454,740.93	415,592.57
FUND BALANCE		
Reserved		
Receivables	98,827.36	132,728.51
Prepaid expenses	84,987.71	80,604.58
Inventory	15,233.08	13,512.02
Unreserved - undesignated	2,417,324.91	2,093,448.45
TOTAL FUND BALANCE	2,616,373.06	2,320,293.56
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,071,113.99	\$ 2,735,886.13

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006			2005
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Taxes				
Property taxes	\$ 2,545,430.00	\$ 2,547,151.20	\$ 1,721.20	\$ 2,147,464.60
Penalties and interest	52,000.00	69,808.02	17,808.02	72,547.82
City income taxes	2,200,000.00	2,318,484.99	118,484.99	2,243,650.17
Total Taxes	4,797,430.00	4,935,444.21	138,014.21	4,463,662.59
Federal Grants				
Federal Drug Grant (TNU)	32,000.00	37,375.86	5,375.86	36,050.81
MSHDA Section 8	50,500.00	57,708.50	7,208.50	46,360.00
Highway safety	1,500.00	8,223.19	6,723.19	3,271.18
School liaison officer	30,080.00	25,280.00	(4,800.00)	16,320.00
Total Federal Grants	114,080.00	128,587.55	14,507.55	102,001.99
Licenses and Permits				
Licenses	500.00	726.00	226.00	425.00
Permits	4,550.00	7,318.26	2,768.26	7,296.50
Total Licenses and Permits	5,050.00	8,044.26	2,994.26	7,721.50
Intergovernmental				
Sales tax	729,613.00	811,246.00	81,633.00	818,099.00
Liquor licenses	8,000.00	9,725.10	1,725.10	9,424.25
Total Intergovernmental	737,613.00	820,971.10	83,358.10	827,523.25
Charges for Services				
Administrative fees	336,346.00	336,636.91	290.91	320,334.37
Copies	4,000.00	4,782.00	782.00	4,229.00
Fire runs and protection	315,000.00	350,576.63	35,576.63	232,104.12
Other services		120.00	120.00	1,892.84
IFT application fee	1,500.00	3,700.00	2,200.00	1,100.00
Other fees	36,522.00	36,440.16	(81.84)	38,411.07
Cable franchise fees	70,000.00	75,425.84	5,425.84	70,417.34
Telephone franchise fees				17.46
Total Charges for Services	763,368.00	807,681.54	44,313.54	668,506.20
Fines and Forfeits				
Court fines	41,500.00	48,818.82	7,318.82	42,542.20

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - Continued

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006		VARIANCE FAVORABLE (UNFAVORABLE)	2005
	BUDGET	ACTUAL		ACTUAL
REVENUES - Concluded				
Other Revenues				
Interest on investments	\$ 50,000.00	\$ 122,661.74	\$ 72,661.74	\$ 72,148.77
Rentals	8,250.00	11,571.00	3,321.00	11,665.00
Reimbursements	95,200.00	110,992.44	15,792.44	116,251.19
Sale of assets				390,365.00
Miscellaneous		17,078.29	17,078.29	3,140.31
Sale of tax map books		45.00	45.00	22.00
Contributions	12,300.00	14,567.40	2,267.40	8,407.59
Total Other Revenues	165,750.00	276,915.87	111,165.87	601,999.86
TOTAL REVENUES	6,624,791.00	7,026,463.35	401,672.35	6,713,957.59
EXPENDITURES				
General Government				
Legislative	70,873.00	52,577.57	18,295.43	61,787.19
Executive/Clerk	422,186.00	350,229.70	71,956.30	346,057.11
Assessor's office	160,421.00	126,494.52	33,926.48	122,097.37
Income tax	162,648.00	156,739.81	5,908.19	143,429.27
Attorney/Jury-Witness	162,730.00	169,761.90	(7,031.90)	119,160.79
Elections	23,103.00	11,308.81	11,794.19	12,735.10
City Hall	108,493.00	112,440.58	(3,947.58)	122,350.61
Board of Review	3,294.00	1,156.94	2,137.06	2,578.92
Accounting and data processing	455,660.00	405,007.41	50,652.59	371,727.37
MESC Building				988.25
Cable Advisory Board	2,315.00	1,056.99	1,258.01	3,183.12
Total General Government	1,571,723.00	1,386,774.23	184,948.77	1,306,095.10
Public Safety				
Police	2,073,891.00	2,026,008.34	47,882.66	1,877,045.76
Fire	607,899.00	544,297.39	63,601.61	501,015.58
Total Public Safety	2,681,790.00	2,570,305.73	111,484.27	2,378,061.34
Public Works				
Public services	821,663.00	812,270.59	9,392.41	729,898.80
Community development and enrichment	421,182.00	430,669.66	(9,487.66)	394,383.18
Other Functions				
Contingency	73,434.00		73,434.00	
Contributions to other units	94,460.00	48,844.40	45,615.60	56,647.86
Total Other Functions	167,894.00	48,844.40	119,049.60	56,647.86
TOTAL EXPENDITURES	5,664,252.00	5,248,864.61	415,387.39	4,865,086.28

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - Concluded
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006			2005
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
EXCESS OF REVENUES OVER EXPENDITURES	\$ 960,539.00	\$ 1,777,598.74	\$ 817,059.74	\$ 1,848,871.31
OTHER FINANCING SOURCES (USES)				
Operating transfers in	584,012.00	613,429.40	29,417.40	892,280.63
Operating transfers out	(2,204,267.00)	(2,094,948.64)	109,318.36	(1,951,707.72)
TOTAL OTHER FINANCING SOURCES (USES)	(1,620,255.00)	(1,481,519.24)	138,735.76	(1,059,427.09)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(659,716.00)	296,079.50	955,795.50	789,444.22
FUND BALANCE, JULY 1	2,320,293.56	2,320,293.56		1,530,849.34
FUND BALANCE, JUNE 30	\$ 1,660,577.56	\$ 2,616,373.06	\$ 955,795.50	\$ 2,320,293.56

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to finance particular activities and are created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory or charter provisions to pay for certain activities with some special form of continuing revenues.

The Special Revenue Funds of the City are: Major Street, Local Street, Parks and Recreation, Mt. Hope Cemetery, Youth Mini-Grant, Building Department, Oakdale Development, Police K-9 Program, Drug Law Enforcement, D.A.R.E., General Forfeiture, Public Safety Training, and Housing Resource.

CITY OF LAPEER, MICHIGAN
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 JUNE 30, 2006
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	MAJOR STREET	LOCAL STREET	PARKS AND RECREATION	MT. HOPE CEMETERY
ASSETS				
Cash	\$ 5,117.59	\$ 375,551.65	\$ 283,471.33	\$
Accounts receivable	3,968.50		67,224.25	
Due from other funds	178,636.82		127,751.70	
Due from state	80,107.51	35,328.46	143,792.25	
Prepaid expenses	448.07	448.07	10,836.82	2,214.43
TOTAL ASSETS	<u>\$ 268,278.49</u>	<u>\$ 411,328.18</u>	<u>\$ 633,076.35</u>	<u>\$ 2,214.43</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 25,919.75	\$ 5,228.86	\$ 132,041.02	\$ 3,908.32
Payroll and taxes payable	1,458.78	729.31	17,375.27	1,852.01
Due to other funds			10,617.50	1,518.80
TOTAL LIABILITIES	<u>27,378.53</u>	<u>5,958.17</u>	<u>160,033.79</u>	<u>7,279.13</u>
FUND BALANCE				
Unreserved	<u>240,899.96</u>	<u>405,370.01</u>	<u>473,042.56</u>	<u>(5,064.70)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 268,278.49</u>	<u>\$ 411,328.18</u>	<u>\$ 633,076.35</u>	<u>\$ 2,214.43</u>

YOUTH MINI-GRANT	BUILDING DEPARTMENT	OAKDALE DEVELOPMENT	POLICE K-9 PROGRAM	DRUG LAW ENFORCEMENT
\$ 377.04	\$ 12,422.25 6,172.50	\$ 59,714.74 15,289.03 4,831.03	\$ 5,636.71	\$ 16,884.33
		509.04		
<u>\$ 377.04</u>	<u>\$ 18,594.75</u>	<u>\$ 80,343.84</u>	<u>\$ 5,636.71</u>	<u>\$ 16,884.33</u>
\$	\$ 3,466.75	\$ 15,523.57 556.17 50,440.55	\$	\$
		66,520.29		
	3,466.75			
377.04	15,128.00	13,823.55	5,636.71	16,884.33
<u>\$ 377.04</u>	<u>\$ 18,594.75</u>	<u>\$ 80,343.84</u>	<u>\$ 5,636.71</u>	<u>\$ 16,884.33</u>

CITY OF LAPEER, MICHIGAN
 COMBINING BALANCE SHEET - Concluded
 SPECIAL REVENUE FUNDS
 JUNE 30, 2006
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	D.A.R.E.	GENERAL FORFEITURE	PUBLIC SAFETY TRAINING
ASSETS			
Cash	\$ 9,211.09	\$ 10,863.12	\$ 374.11
Accounts receivable			
Due from other funds			
Due from state			
Prepaid expenses			
TOTAL ASSETS	<u>\$ 9,211.09</u>	<u>\$ 10,863.12</u>	<u>\$ 374.11</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 800.00	\$	\$
Payroll and taxes payable			
Due to other funds			
TOTAL LIABILITIES	<u>800.00</u>		
FUND BALANCE			
Unreserved	<u>8,411.09</u>	<u>10,863.12</u>	<u>374.11</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 9,211.09</u>	<u>\$ 10,863.12</u>	<u>\$ 374.11</u>

HOUSING RESOURCE	TOTAL SPECIAL REVENUE 2006	ELIMINATION OF MAJOR FUNDS	TOTAL NON- MAJOR SPECIAL REVENUE 2006	TOTAL SPECIAL REVENUE 2005
\$ 85,146.64	\$ 864,770.60	\$ (368,617.97)	\$ 496,152.63	\$ 812,322.99
51,554.00	144,208.28	(118,778.25)	25,430.03	200,354.72
	311,219.55	(127,751.70)	183,467.85	254,819.31
	259,228.22	(143,792.25)	115,435.97	100,305.91
	14,456.43	(10,836.82)	3,619.61	13,965.91
<u>136,700.64</u>	<u>1,593,883.08</u>	<u>(769,776.99)</u>	<u>824,106.09</u>	<u>1,381,768.84</u>
\$ 74,234.45	\$ 261,122.72	\$ (206,275.47)	\$ 54,847.25	\$ 127,384.97
	21,971.54	(17,375.27)	4,596.27	16,564.63
	62,576.85	(10,617.50)	51,959.35	72,342.64
<u>74,234.45</u>	<u>345,671.11</u>	<u>(234,268.24)</u>	<u>111,402.87</u>	<u>216,292.24</u>
62,466.19	1,248,211.97	(535,508.75)	712,703.22	1,165,476.60
<u>136,700.64</u>	<u>1,593,883.08</u>	<u>(769,776.99)</u>	<u>824,106.09</u>	<u>1,381,768.84</u>

CITY OF LAPEER, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	MAJOR STREET	LOCAL STREET	PARKS AND RECREATION	MT. HOPE CEMETERY
REVENUES				
Charges for services	\$	\$	\$ 1,240,461.43	\$ 33,306.16
Intergovernmental				
Federal		18,853.00	305,027.55	
State	499,759.58	145,642.73		
Interest and rent	2,646.69	14,296.69	60,021.87	196.76
Donations	3,968.50			
Other revenue			332,026.13	
TOTAL REVENUES	<u>506,374.77</u>	<u>178,792.42</u>	<u>1,937,536.98</u>	<u>33,502.92</u>
EXPENDITURES				
Highways and streets	668,331.68	312,406.55		
Culture and recreation			2,595,114.55	
Health and welfare				145,441.37
Community development and enrichment				
Public safety				
TOTAL EXPENDITURES	<u>668,331.68</u>	<u>312,406.55</u>	<u>2,595,114.55</u>	<u>145,441.37</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(161,956.91)</u>	<u>(133,614.13)</u>	<u>(657,577.57)</u>	<u>(111,938.45)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	358,053.16	176,826.53	839,773.76	101,304.21
Operating transfers out	<u>(372,836.00)</u>	<u>(771.00)</u>	<u>(822.00)</u>	<u>(3,748.00)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(14,782.84)</u>	<u>176,055.53</u>	<u>838,951.76</u>	<u>97,556.21</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(176,739.75)	42,441.40	181,374.19	(14,382.24)
FUND BALANCE, JULY 1	<u>417,639.71</u>	<u>362,928.61</u>	<u>291,668.37</u>	<u>9,317.54</u>
FUND BALANCE, JUNE 30	<u>\$ 240,899.96</u>	<u>\$ 405,370.01</u>	<u>\$ 473,042.56</u>	<u>\$ (5,064.70)</u>

YOUTH MINI-GRANT	BUILDING DEPARTMENT	OAKDALE DEVELOPMENT	POLICE K-9 PROGRAM	DRUG LAW ENFORCEMENT
\$	\$ 16,359.75	\$	\$	\$
13.90	602.24	51,066.34	220.17	564.41
<u>13.90</u>	<u>16,961.99</u>	<u>1,454.57</u> <u>52,520.91</u>	<u>220.17</u>	<u>3,276.96</u> <u>3,841.37</u>
	20,947.50	84,533.87	903.05	193.87
	<u>20,947.50</u>	<u>84,533.87</u>	<u>903.05</u>	<u>193.87</u>
<u>13.90</u>	<u>(3,985.51)</u>	<u>(32,012.96)</u>	<u>(682.88)</u>	<u>3,647.50</u>
5,000.00 <u>(5,000.00)</u>	21,850.00 <u>(17,047.42)</u>	59,861.30 <u>(26,782.00)</u>	1,750.00	
	<u>4,802.58</u>	<u>33,079.30</u>	<u>1,750.00</u>	
13.90	817.07	1,066.34	1,067.12	3,647.50
<u>363.14</u>	<u>14,310.93</u>	<u>12,757.21</u>	<u>4,569.59</u>	<u>13,236.83</u>
\$ <u><u>377.04</u></u>	\$ <u><u>15,128.00</u></u>	\$ <u><u>13,823.55</u></u>	\$ <u><u>5,636.71</u></u>	\$ <u><u>16,884.33</u></u>

CITY OF LAPEER, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - Concluded
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	D.A.R.E.	GENERAL FORFEITURE	PUBLIC SAFETY TRAINING
REVENUES			
Charges for services	\$	\$	\$
Intergovernmental			
Federal			4,450.94
State			
Interest and rent	342.14	383.10	21.66
Donations	1,500.00		
Other revenue		645.00	
TOTAL REVENUES	<u>1,842.14</u>	<u>1,028.10</u>	<u>4,472.60</u>
EXPENDITURES			
Highways and streets			
Culture and recreation			
Health and welfare			
Community development and enrichment			
Public safety	1,943.26		4,450.94
TOTAL EXPENDITURES	<u>1,943.26</u>		<u>4,450.94</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(101.12)</u>	<u>1,028.10</u>	<u>21.66</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in			
Operating transfers out			
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(101.12)	1,028.10	21.66
FUND BALANCE, JULY 1	<u>8,512.21</u>	<u>9,835.02</u>	<u>352.45</u>
FUND BALANCE, JUNE 30	\$ <u><u>8,411.09</u></u>	\$ <u><u>10,863.12</u></u>	\$ <u><u>374.11</u></u>

HOUSING RESOURCE	TOTAL SPECIAL REVENUE 2006	ELIMINATION OF MAJOR FUNDS	TOTAL NON- MAJOR SPECIAL REVENUE 2006	TOTAL SPECIAL REVENUE 2005
\$	\$ 1,290,127.34	\$ (1,240,461.43)	\$ 49,665.91	\$ 1,300,126.85
842,680.00	1,171,011.49	(1,147,707.55)	23,303.94	87,249.68
109,500.00	754,902.31	(109,500.00)	645,402.31	689,656.68
	130,375.97	(60,021.87)	70,354.10	117,173.94
	5,468.50		5,468.50	26,447.15
<u>300,098.12</u>	<u>637,500.78</u>	<u>(632,124.25)</u>	<u>5,376.53</u>	<u>140,364.87</u>
<u>1,252,278.12</u>	<u>3,989,386.39</u>	<u>(3,189,815.10)</u>	<u>799,571.29</u>	<u>2,361,019.17</u>
	980,738.23		980,738.23	878,258.57
	2,595,114.55	(2,595,114.55)		2,012,935.94
	145,441.37		145,441.37	126,500.25
980,296.92	1,085,778.29	(980,296.92)	105,481.37	250,208.17
	7,491.12		7,491.12	17,306.93
<u>980,296.92</u>	<u>4,814,563.56</u>	<u>(3,575,411.47)</u>	<u>1,239,152.09</u>	<u>3,285,209.86</u>
<u>271,981.20</u>	<u>(825,177.17)</u>	<u>(385,596.37)</u>	<u>(439,580.80)</u>	<u>(924,190.69)</u>
180,000.00	1,744,418.96	(1,019,773.76)	724,645.20	1,615,522.62
<u>(409,500.00)</u>	<u>(836,506.42)</u>	<u>410,322.00</u>	<u>(426,184.42)</u>	<u>(575,820.13)</u>
<u>(229,500.00)</u>	<u>907,912.54</u>	<u>(609,451.76)</u>	<u>298,460.78</u>	<u>1,039,702.49</u>
42,481.20	82,735.37	(223,855.39)	(141,120.02)	115,511.80
<u>19,984.99</u>	<u>1,165,476.60</u>	<u>(311,653.36)</u>	<u>853,823.24</u>	<u>1,049,964.80</u>
\$ <u><u>62,466.19</u></u>	\$ <u><u>1,248,211.97</u></u>	\$ <u><u>(535,508.75)</u></u>	\$ <u><u>712,703.22</u></u>	\$ <u><u>1,165,476.60</u></u>

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

MAJOR STREET FUND

FOR THE YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006		VARIANCE FAVORABLE (UNFAVORABLE)	2005
	BUDGET	ACTUAL		ACTUAL
REVENUES				
State grants	\$ 503,000.00	\$ 499,759.58	\$ (3,240.42)	\$ 517,195.30
Federal grants				39,429.68
Interest on investments		2,646.69	2,646.69	883.43
Donations	<u>200,000.00</u>	<u>3,968.50</u>	<u>(196,031.50)</u>	<u>10,564.50</u>
TOTAL REVENUES	<u>703,000.00</u>	<u>506,374.77</u>	<u>(196,625.23)</u>	<u>568,072.91</u>
EXPENDITURES				
Highways and streets	<u>955,245.00</u>	<u>668,331.68</u>	<u>286,913.32</u>	<u>664,572.49</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(252,245.00)</u>	<u>(161,956.91)</u>	<u>90,288.09</u>	<u>(96,499.58)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	357,830.00	358,053.16	223.16	417,376.17
Operating transfers out	<u>(372,836.00)</u>	<u>(372,836.00)</u>		<u>(477,733.00)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,006.00)</u>	<u>(14,782.84)</u>	<u>223.16</u>	<u>(60,356.83)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(267,251.00)</u>	<u>(176,739.75)</u>	<u>90,511.25</u>	<u>(156,856.41)</u>
FUND BALANCE, JULY 1	<u>417,639.71</u>	<u>417,639.71</u>		<u>574,496.12</u>
FUND BALANCE, JUNE 30	<u>\$ 150,388.71</u>	<u>\$ 240,899.96</u>	<u>\$ 90,511.25</u>	<u>\$ 417,639.71</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LOCAL STREET FUND
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006		VARIANCE	2005
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
State grants	\$ 138,000.00	\$ 145,642.73	\$ 7,642.73	\$ 137,732.36
Federal grants	300,000.00	18,853.00	(281,147.00)	
Interest on investments		14,296.69	14,296.69	8,330.08
TOTAL REVENUES	<u>438,000.00</u>	<u>178,792.42</u>	<u>(259,207.58)</u>	<u>146,062.44</u>
EXPENDITURES				
Highways and streets	<u>1,322,516.00</u>	<u>312,406.55</u>	<u>1,010,109.45</u>	<u>213,686.08</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(884,516.00)</u>	<u>(133,614.13)</u>	<u>750,901.87</u>	<u>(67,623.64)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	718,658.00	176,826.53	(541,831.47)	101,437.44
Operating transfers out	<u>(771.00)</u>	<u>(771.00)</u>		<u>(15,881.00)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>717,887.00</u>	<u>176,055.53</u>	<u>(541,831.47)</u>	<u>85,556.44</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(166,629.00)</u>	<u>42,441.40</u>	<u>209,070.40</u>	<u>17,932.80</u>
FUND BALANCE, JULY 1	<u>362,928.61</u>	<u>362,928.61</u>		<u>344,995.81</u>
FUND BALANCE, JUNE 30	<u>\$ 196,299.61</u>	<u>\$ 405,370.01</u>	<u>\$ 209,070.40</u>	<u>\$ 362,928.61</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARKS AND RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006			2005
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Charges for services	\$ 1,115,392.00	\$ 1,240,461.43	\$ 125,069.43	\$ 1,245,651.49
Interest and rent	57,450.00	60,021.87	2,571.87	56,324.23
Other revenues	401,150.00	332,026.13	(69,123.87)	106,532.50
Intergovernmental - state	701,265.00	305,027.55	(396,237.45)	3,000.00
TOTAL REVENUES	<u>2,275,257.00</u>	<u>1,937,536.98</u>	<u>(337,720.02)</u>	<u>1,411,508.22</u>
EXPENDITURES				
Culture and recreation	<u>3,330,948.00</u>	<u>2,595,114.55</u>	<u>735,833.45</u>	<u>2,012,935.94</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,055,691.00)</u>	<u>(657,577.57)</u>	<u>398,113.43</u>	<u>(601,427.72)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,103,215.00	839,773.76	(263,441.24)	854,890.04
Operating transfers out	<u>(40,322.00)</u>	<u>(822.00)</u>	<u>39,500.00</u>	<u>(822.00)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,062,893.00</u>	<u>838,951.76</u>	<u>(223,941.24)</u>	<u>854,068.04</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	7,202.00	181,374.19	174,172.19	252,640.32
FUND BALANCE, JULY 1	<u>291,668.37</u>	<u>291,668.37</u>		<u>39,028.05</u>
FUND BALANCE, JUNE 30	<u>\$ 298,870.37</u>	<u>\$ 473,042.56</u>	<u>\$ 174,172.19</u>	<u>\$ 291,668.37</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MT. HOPE CEMETERY FUND
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006			2005
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Charges for services	\$ 47,000.00	\$ 33,306.16	\$ (13,693.84)	\$ 44,900.61
Interest on investments	300.00	196.76	(103.24)	559.95
TOTAL REVENUES	<u>47,300.00</u>	<u>33,502.92</u>	<u>(13,797.08)</u>	<u>45,460.56</u>
EXPENDITURES				
Health and welfare	<u>144,710.00</u>	<u>145,441.37</u>	<u>(731.37)</u>	<u>126,500.25</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(97,410.00)</u>	<u>(111,938.45)</u>	<u>(14,528.45)</u>	<u>(81,039.69)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	101,344.00	101,304.21	(39.79)	62,103.47
Operating transfers out	<u>(3,748.00)</u>	<u>(3,748.00)</u>		<u>(4,259.00)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>97,596.00</u>	<u>97,556.21</u>	<u>(39.79)</u>	<u>57,844.47</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	186.00	(14,382.24)	(14,568.24)	(23,195.22)
FUND BALANCE, JULY 1	<u>9,317.54</u>	<u>9,317.54</u>		<u>32,512.76</u>
FUND BALANCE, JUNE 30	<u>\$ 9,503.54</u>	<u>\$ (5,064.70)</u>	<u>\$ (14,568.24)</u>	<u>\$ 9,317.54</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YOUTH MINI-GRANT
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006			2005
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest income	\$	\$ 13.90	\$ 13.90	\$ 94.34
OTHER FINANCING SOURCES (USES)				
Operating transfers in	5,000.00	5,000.00		5,000.00
Operating transfers out	(5,000.00)	(5,000.00)		(5,000.00)
TOTAL OTHER FINANCING SOURCES (USES)				
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		13.90	13.90	94.34
FUND BALANCE, JULY 1	363.14	363.14		268.80
FUND BALANCE, JUNE 30	\$ 363.14	\$ 377.04	\$ 13.90	\$ 363.14

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BUILDING DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006			2005
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Charges for services	\$ 16,300.00	\$ 16,359.75	\$ 59.75	\$ 9,574.75
Interest on investments	<u>600.00</u>	<u>602.24</u>	<u>2.24</u>	<u>109.59</u>
TOTAL REVENUES	<u>16,900.00</u>	<u>16,961.99</u>	<u>61.99</u>	<u>9,684.34</u>
EXPENDITURES				
Community development and enrichment	<u>20,500.00</u>	<u>20,947.50</u>	<u>(447.50)</u>	<u>9,817.75</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(3,600.00)</u>	<u>(3,985.51)</u>	<u>(385.51)</u>	<u>(133.41)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	21,850.00	21,850.00		35,000.00
Operating transfers out	<u>(18,350.00)</u>	<u>(17,047.42)</u>	<u>1,302.58</u>	<u>(17,571.13)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,500.00</u>	<u>4,802.58</u>	<u>1,302.58</u>	<u>17,428.87</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(100.00)	817.07	917.07	17,295.46
FUND BALANCE, JULY 1	<u>14,310.93</u>	<u>14,310.93</u>		<u>(2,984.53)</u>
FUND BALANCE, JUNE 30	<u>\$ 14,210.93</u>	<u>\$ 15,128.00</u>	<u>\$ 917.07</u>	<u>\$ 14,310.93</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OAKDALE DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	<u>2006</u>			<u>2005</u>
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest and rent	\$ 55,000.00	\$ 51,066.34	\$ (3,933.66)	\$ 50,031.87
Other revenue		<u>1,454.57</u>	<u>1,454.57</u>	<u>29,991.99</u>
TOTAL REVENUES	<u>55,000.00</u>	<u>52,520.91</u>	<u>(2,479.09)</u>	<u>80,023.86</u>
EXPENDITURES				
Community development and enrichment	<u>97,770.00</u>	<u>84,533.87</u>	<u>13,236.13</u>	<u>193,906.74</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(42,770.00)</u>	<u>(32,012.96)</u>	<u>10,757.04</u>	<u>(113,882.88)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	69,552.00	59,861.30	(9,690.70)	137,965.50
Operating transfers out	<u>(26,782.00)</u>	<u>(26,782.00)</u>		<u>(27,054.00)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>42,770.00</u>	<u>33,079.30</u>	<u>(9,690.70)</u>	<u>110,911.50</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		1,066.34	1,066.34	(2,971.38)
FUND BALANCE, JULY 1	<u>12,757.21</u>	<u>12,757.21</u>		<u>15,728.59</u>
FUND BALANCE, JUNE 30	<u>\$ 12,757.21</u>	<u>\$ 13,823.55</u>	<u>\$ 1,066.34</u>	<u>\$ 12,757.21</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
POLICE K-9
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	<u>2006</u>			<u>2005</u>
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest	\$	\$ 220.17	\$ 220.17	\$ 119.18
Other revenue	<u>250.00</u>	<u></u>	<u>(250.00)</u>	<u>500.00</u>
TOTAL REVENUES	<u>250.00</u>	<u>220.17</u>	<u>(29.83)</u>	<u>619.18</u>
EXPENDITURES				
Public safety	<u>2,500.00</u>	<u>903.05</u>	<u>1,596.95</u>	<u>1,265.63</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,250.00)	(682.88)	1,567.12	(646.45)
OTHER FINANCING SOURCES				
Operating transfers in	<u>1,750.00</u>	<u>1,750.00</u>	<u></u>	<u>1,750.00</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(500.00)	1,067.12	1,567.12	1,103.55
FUND BALANCE, JULY 1	<u>4,569.59</u>	<u>4,569.59</u>	<u></u>	<u>3,466.04</u>
FUND BALANCE, JUNE 30	<u>\$ 4,069.59</u>	<u>\$ 5,636.71</u>	<u>\$ 1,567.12</u>	<u>\$ 4,569.59</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DRUG LAW ENFORCEMENT
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	<u>2006</u>			<u>2005</u>
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest earnings	\$	\$ 564.41	\$ 564.41	\$ 441.69
Other revenues	<u>500.00</u>	<u>3,276.96</u>	<u>2,776.96</u>	<u>2,587.98</u>
TOTAL REVENUES	<u>500.00</u>	<u>3,841.37</u>	<u>3,341.37</u>	<u>3,029.67</u>
EXPENDITURES				
Public safety	<u>4,950.00</u>	<u>193.87</u>	<u>4,756.13</u>	<u>9,438.14</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,450.00)	3,647.50	8,097.50	(6,408.47)
FUND BALANCE, JULY 1	<u>13,236.83</u>	<u>13,236.83</u>		<u>19,645.30</u>
FUND BALANCE, JUNE 30	<u>\$ 8,786.83</u>	<u>\$ 16,884.33</u>	<u>\$ 8,097.50</u>	<u>\$ 13,236.83</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
D.A.R.E.
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006			2005
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest earnings	\$	\$ 342.14	\$ 342.14	\$ 230.42
Other revenues	<u>2,000.00</u>	<u>1,500.00</u>	<u>(500.00)</u>	<u>2,414.00</u>
TOTAL REVENUES	<u>2,000.00</u>	<u>1,842.14</u>	<u>(157.86)</u>	<u>2,644.42</u>
EXPENDITURES				
Public safety	<u>4,000.00</u>	<u>1,943.26</u>	<u>2,056.74</u>	<u>2,374.14</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,000.00)	(101.12)	1,898.88	270.28
FUND BALANCE, JULY 1	<u>8,512.21</u>	<u>8,512.21</u>		<u>8,241.93</u>
FUND BALANCE, JUNE 30	<u>\$ 6,512.21</u>	<u>\$ 8,411.09</u>	<u>\$ 1,898.88</u>	<u>\$ 8,512.21</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FORFEITURE
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006			2005
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest earnings	\$	\$ 383.10	\$ 383.10	\$ 31.00
Other revenue		<u>645.00</u>	<u>645.00</u>	<u>9,075.00</u>
TOTAL REVENUES		1,028.10	1,028.10	9,106.00
FUND BALANCE, JULY 1	<u>9,835.02</u>	<u>9,835.02</u>		<u>729.02</u>
FUND BALANCE, JUNE 30	\$ <u><u>9,835.02</u></u>	\$ <u><u>10,863.12</u></u>	\$ <u><u>1,028.10</u></u>	\$ <u><u>9,835.02</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PUBLIC SAFETY TRAINING
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006			2005
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
State grants	\$ 4,100.00	\$ 4,450.94	\$ 350.94	\$ 4,229.02
Interest earnings		21.66	21.66	18.16
TOTAL REVENUES	<u>4,100.00</u>	<u>4,472.60</u>	<u>372.60</u>	<u>4,247.18</u>
EXPENDITURES				
Public safety	<u>4,100.00</u>	<u>4,450.94</u>	<u>(350.94)</u>	<u>4,229.02</u>
EXCESS OF REVENUES OVER EXPENDITURES		21.66	21.66	18.16
FUND BALANCE, JULY 1	<u>352.45</u>	<u>352.45</u>		<u>334.29</u>
FUND BALANCE, JUNE 30	\$ <u><u>352.45</u></u>	\$ <u><u>374.11</u></u>	\$ <u><u>21.66</u></u>	\$ <u><u>352.45</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOUSING RESOURCE FUND
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2005

	2006			2005
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Federal grants	\$ 680,900.00	\$ 842,680.00	\$ 161,780.00	\$ 47,820.00
State grants	37,500.00	109,500.00	72,000.00	27,500.00
Other revenues	16,762.00	300,098.12	283,336.12	5,146.05
TOTAL REVENUES	735,162.00	1,252,278.12	517,116.12	80,466.05
EXPENDITURES				
Community development and enrichment	505,662.00	980,296.92	(474,634.92)	46,483.68
EXCESS OF REVENUES OVER EXPENDITURES	229,500.00	271,981.20	42,481.20	33,982.37
OTHER FINANCING USES				
Operating transfers in	180,000.00	180,000.00		
Operating transfers out	(409,500.00)	(409,500.00)		(27,500.00)
TOTAL OTHER FINANCING SOURCES (USES)	(229,500.00)	(229,500.00)		(27,500.00)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		42,481.20	42,481.20	6,482.37
FUND BALANCE, JULY 1	19,984.99	19,984.99		13,502.62
FUND BALANCE, JUNE 30	\$ 19,984.99	\$ 62,466.19	\$ 42,481.20	\$ 19,984.99

DEBT SERVICE FUNDS

Debt Service Funds are established to finance and account for the payment of interest and principal on all general obligation debt and revenue bonds issued for and serviced by a governmental enterprise.

The City's Debt Service Funds include the 1995 General Obligation Limited Tax Bonds, 1996 General Obligation Limited Tax Bonds, 1997 General Obligation Limited Tax Bonds, 1998 General Obligation Limited Tax Bonds, 1998 Series B General Obligation Limited Tax Bonds, 2000 General Obligation Limited Tax Bonds, 2001 General Obligation Limited Tax Bonds, 2002 General Obligation Limited Tax Bonds, 2003 General Obligation Limited Tax Bonds, 1995 Special Assessment Bonds, 1996 Special Assessment Bonds, 1997 Special Assessment Bonds, 1998 Special Assessment Bonds, 1998 Series B Special Assessment Bonds, 2000 Special Assessment Bonds, 2001 Special Assessment Bonds, 2002 Special Assessment Bonds, 2003 Special Assessment Bonds, 2002 Equipment Financing, 2003 Equipment Financing, 2004 Equipment Financing, 2005 Equipment Financing, 1999 Building Authority Bonds, 2001 Building Authority Bonds, and 2002 Building Authority Bonds.

CITY OF LAPEER, MICHIGAN
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2006
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	1996 GENERAL OBLIGATION LIMITED TAX BONDS	1997 GENERAL OBLIGATION LIMITED TAX BONDS	1998 GENERAL OBLIGATION LIMITED TAX BONDS
ASSETS			
Cash	\$	\$ 2,007.87	\$ 3,692.66
Assessments receivable			
Due from other funds			
TOTAL ASSETS	\$ <u> </u>	\$ <u>2,007.87</u>	\$ <u>3,692.66</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Deferred revenue	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
FUND BALANCE			
Reserved for debt service	<u> </u>	<u>2,007.87</u>	<u>3,692.66</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u> </u>	\$ <u>2,007.87</u>	\$ <u>3,692.66</u>

1998 SERIES B GENERAL OBLIGATION LIMITED TAX BONDS	2000 GENERAL OBLIGATION LIMITED TAX BONDS	2001 GENERAL OBLIGATION LIMITED TAX BONDS	2002 GENERAL OBLIGATION LIMITED TAX BONDS	2003 GENERAL OBLIGATION LIMITED TAX BONDS	1995 SPECIAL ASSESSMENT BONDS
\$ 1,476.56	\$ 1,564.82	\$ 4,058.62	\$ 25.44	\$ 51,797.33	\$
<u>\$ 1,476.56</u>	<u>\$ 1,564.82</u>	<u>\$ 4,058.62</u>	<u>\$ 25.44</u>	<u>\$ 51,797.33</u>	<u>\$</u>
\$	\$	\$	\$	\$	\$
<u>1,476.56</u>	<u>1,564.82</u>	<u>4,058.62</u>	<u>25.44</u>	<u>51,797.33</u>	
<u>\$ 1,476.56</u>	<u>\$ 1,564.82</u>	<u>\$ 4,058.62</u>	<u>\$ 25.44</u>	<u>\$ 51,797.33</u>	<u>\$</u>

CITY OF LAPEER, MICHIGAN
 COMBINING BALANCE SHEET - Continued
 DEBT SERVICE FUNDS
 JUNE 30, 2006
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	1996 SPECIAL ASSESSMENT BONDS	1997 SPECIAL ASSESSMENT BONDS	1998 SPECIAL ASSESSMENT BONDS	1998 SERIES B SPECIAL ASSESSMENT BONDS
ASSETS				
Cash	\$ 39,412.08	\$ 113,014.01	\$ 294,558.37	\$ 27,100.84
Assessments receivable		26,472.44	348,677.72	5,097.36
Due from other funds	<u>1,726.59</u>	<u>5,964.01</u>		<u>450.84</u>
TOTAL ASSETS	\$ <u>41,138.67</u>	\$ <u>145,450.46</u>	\$ <u>643,236.09</u>	\$ <u>32,649.04</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Deferred revenue	\$ <u></u>	\$ <u>26,472.44</u>	\$ <u>348,677.72</u>	\$ <u>5,097.36</u>
FUND BALANCE				
Reserved for debt service	<u>41,138.67</u>	<u>118,978.02</u>	<u>294,558.37</u>	<u>27,551.68</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>41,138.67</u>	\$ <u>145,450.46</u>	\$ <u>643,236.09</u>	\$ <u>32,649.04</u>

2000 SPECIAL ASSESSMENT BONDS	2001 SPECIAL ASSESSMENT BONDS	2002 SPECIAL ASSESSMENT BONDS	2003 SPECIAL ASSESSMENT BONDS	2002 EQUIPMENT FINANCING	2003 EQUIPMENT FINANCING
\$ 14,750.33	\$ 70,575.21	\$ 107,533.44	\$ 137,636.47	\$ 207.39	\$ 2,619.17
15,590.42	29,883.80	133,868.43	80,151.05		
482.47	3,028.48	4,641.10	874.77		
<u>\$ 30,823.22</u>	<u>\$ 103,487.49</u>	<u>\$ 246,042.97</u>	<u>\$ 218,662.29</u>	<u>\$ 207.39</u>	<u>\$ 2,619.17</u>
\$ 15,590.42	\$ 29,883.80	\$ 133,868.43	\$ 80,151.05	\$	\$
15,232.80	73,603.69	112,174.54	138,511.24	207.39	2,619.17
<u>\$ 30,823.22</u>	<u>\$ 103,487.49</u>	<u>\$ 246,042.97</u>	<u>\$ 218,662.29</u>	<u>\$ 207.39</u>	<u>\$ 2,619.17</u>

CITY OF LAPEER, MICHIGAN
 COMBINING BALANCE SHEET - Concluded
 DEBT SERVICE FUNDS
 JUNE 30, 2006
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	2004 EQUIPMENT FINANCING	2005 EQUIPMENT FINANCING	1999 BUILDING AUTHORITY BONDS	2001 BUILDING AUTHORITY BONDS
ASSETS				
Cash	\$ 540.21	\$	\$ 32,963.61	\$ 27,068.36
Assessments receivable				
Due from other funds				
TOTAL ASSETS	\$ <u>540.21</u>	\$ <u></u>	\$ <u>32,963.61</u>	\$ <u>27,068.36</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Deferred revenue	\$ <u></u>	\$ <u></u>	\$ <u></u>	\$ <u></u>
FUND BALANCE				
Reserved for debt service	<u>540.21</u>	<u></u>	<u>32,963.61</u>	<u>27,068.36</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>540.21</u>	\$ <u></u>	\$ <u>32,963.61</u>	\$ <u>27,068.36</u>

2002 BUILDING AUTHORITY BONDS	TOTAL DEBT SERVICE 2006	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR DEBT SERVICE 2006	TOTAL DEBT SERVICE 2005
\$ 20,804.21	\$ 953,407.00	\$ (294,558.37)	\$ 658,848.63	\$ 1,014,532.47
	639,741.22	(348,677.72)	291,063.50	910,313.84
	17,168.26		17,168.26	23,160.58
<u>\$ 20,804.21</u>	<u>\$ 1,610,316.48</u>	<u>\$ (643,236.09)</u>	<u>\$ 967,080.39</u>	<u>\$ 1,948,006.89</u>
\$ _____	\$ 639,741.22	\$ (348,677.72)	\$ 291,063.50	\$ 910,313.84
<u>20,804.21</u>	<u>970,575.26</u>	<u>(294,558.37)</u>	<u>676,016.89</u>	<u>1,037,693.05</u>
<u>\$ 20,804.21</u>	<u>\$ 1,610,316.48</u>	<u>\$ (643,236.09)</u>	<u>\$ 967,080.39</u>	<u>\$ 1,948,006.89</u>

CITY OF LAPEER, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	1996 GENERAL OBLIGATION LIMITED TAX BONDS	1997 GENERAL OBLIGATION LIMITED TAX BONDS	1998 GENERAL OBLIGATION LIMITED TAX BONDS
REVENUES			
Taxes and special assessments	\$	\$	\$
Interest earnings	32.98	76.42	137.92
Other revenues			
TOTAL REVENUES	<u>32.98</u>	<u>76.42</u>	<u>137.92</u>
EXPENDITURES			
Debt Service			
Principal retirement	15,000.00	50,000.00	110,000.00
Interest and fiscal charges	<u>563.00</u>	<u>3,954.25</u>	<u>13,002.00</u>
TOTAL EXPENDITURES	<u>15,563.00</u>	<u>53,954.25</u>	<u>123,002.00</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(15,530.02)</u>	<u>(53,877.83)</u>	<u>(122,864.08)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	12,923.76	53,960.00	123,005.00
Operating transfers out			
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,923.76</u>	<u>53,960.00</u>	<u>123,005.00</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(2,606.26)</u>	<u>82.17</u>	<u>140.92</u>
FUND BALANCE, JULY 1	<u>2,606.26</u>	<u>1,925.70</u>	<u>3,551.74</u>
FUND BALANCE, JUNE 30	\$ <u><u> </u></u>	\$ <u><u>2,007.87</u></u>	\$ <u><u>3,692.66</u></u>

1998 SERIES B GENERAL OBLIGATION LIMITED TAX BONDS	2000 GENERAL OBLIGATION LIMITED TAX BONDS	2001 GENERAL OBLIGATION LIMITED TAX BONDS	2002 GENERAL OBLIGATION LIMITED TAX BONDS	2003 GENERAL OBLIGATION LIMITED TAX BONDS	1995 SPECIAL ASSESSMENT BONDS
\$ 56.30	\$ 59.02	\$ 154.21	\$ 0.76	\$ 1,026.42	\$ 977.87
<u>56.30</u>	<u>59.02</u>	<u>154.21</u>	<u>0.76</u>	<u>1,026.42</u>	<u>15.91</u>
					<u>993.78</u>
20,000.00	25,000.00	20,000.00	60,000.00	25,000.00	
<u>2,777.00</u>	<u>7,916.75</u>	<u>8,274.25</u>	<u>19,297.00</u>	<u>6,759.25</u>	
<u>22,777.00</u>	<u>32,916.75</u>	<u>28,274.25</u>	<u>79,297.00</u>	<u>31,759.25</u>	
<u>(22,720.70)</u>	<u>(32,857.73)</u>	<u>(28,120.04)</u>	<u>(79,296.24)</u>	<u>(30,732.83)</u>	<u>993.78</u>
22,780.00	32,938.00	28,296.00	79,305.00	82,058.66	
<u>22,780.00</u>	<u>32,938.00</u>	<u>28,296.00</u>	<u>79,305.00</u>	<u>82,058.66</u>	<u>(55,978.53)</u>
					<u>(55,978.53)</u>
59.30	80.27	175.96	8.76	51,325.83	(54,984.75)
<u>1,417.26</u>	<u>1,484.55</u>	<u>3,882.66</u>	<u>16.68</u>	<u>471.50</u>	<u>54,984.75</u>
<u>\$ 1,476.56</u>	<u>\$ 1,564.82</u>	<u>\$ 4,058.62</u>	<u>\$ 25.44</u>	<u>\$ 51,797.33</u>	<u>\$</u>

CITY OF LAPEER, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - Continued
 DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	1996 SPECIAL ASSESSMENT BONDS	1997 SPECIAL ASSESSMENT BONDS	1998 SPECIAL ASSESSMENT BONDS	1998 SERIES B SPECIAL ASSESSMENT BONDS
REVENUES				
Taxes and special assessments	\$ 3,650.77	\$ 29,847.10	\$ 209,648.10	\$ 4,598.78
Interest earnings	1,519.59	4,849.90	9,274.52	1,251.77
Other revenues	192.22	645.42		35.99
TOTAL REVENUES	<u>5,362.58</u>	<u>35,342.42</u>	<u>218,922.62</u>	<u>5,886.54</u>
EXPENDITURES				
Debt Service				
Principal retirement	15,000.00	60,000.00	200,000.00	15,000.00
Interest and fiscal charges	563.00	3,949.25	22,677.00	2,162.00
TOTAL EXPENDITURES	<u>15,563.00</u>	<u>63,949.25</u>	<u>222,677.00</u>	<u>17,162.00</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,200.42)</u>	<u>(28,606.83)</u>	<u>(3,754.38)</u>	<u>(11,275.46)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
Operating transfers out				
TOTAL OTHER FINANCING SOURCES (USES)				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(10,200.42)	(28,606.83)	(3,754.38)	(11,275.46)
FUND BALANCE, JULY 1	<u>51,339.09</u>	<u>147,584.85</u>	<u>298,312.75</u>	<u>38,827.14</u>
FUND BALANCE, JUNE 30	<u>\$ 41,138.67</u>	<u>\$ 118,978.02</u>	<u>\$ 294,558.37</u>	<u>\$ 27,551.68</u>

2000 SPECIAL ASSESSMENT BONDS	2001 SPECIAL ASSESSMENT BONDS	2002 SPECIAL ASSESSMENT BONDS	2003 SPECIAL ASSESSMENT BONDS	2002 EQUIPMENT FINANCING	2003 EQUIPMENT FINANCING
\$ 4,689.03	\$ 9,232.89	\$ 37,449.78	\$ 20,789.10	\$	\$
725.50	2,959.34	4,074.61	4,951.06	7.31	145.62
40.68	264.51	628.56	69.83		
<u>5,455.21</u>	<u>12,456.74</u>	<u>42,152.95</u>	<u>25,809.99</u>	<u>7.31</u>	<u>145.62</u>
5,000.00	20,000.00	40,000.00	25,000.00		72,204.96
2,041.75	4,959.25	12,054.50	6,074.25		4,144.63
<u>7,041.75</u>	<u>24,959.25</u>	<u>52,054.50</u>	<u>31,074.25</u>		<u>76,349.59</u>
(1,586.54)	(12,502.51)	(9,901.55)	(5,264.26)	7.31	(76,203.97)
			29,991.86	23,270.00	73,940.00
				(23,266.00)	
			29,991.86	4.00	73,940.00
(1,586.54)	(12,502.51)	(9,901.55)	24,727.60	11.31	(2,263.97)
16,819.34	86,106.20	122,076.09	113,783.64	196.08	4,883.14
<u>\$ 15,232.80</u>	<u>\$ 73,603.69</u>	<u>\$ 112,174.54</u>	<u>\$ 138,511.24</u>	<u>\$ 207.39</u>	<u>\$ 2,619.17</u>

CITY OF LAPEER, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - Concluded
 DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	2004 EQUIPMENT FINANCING	2005 EQUIPMENT FINANCING	1999 BUILDING AUTHORITY BONDS	2001 BUILDING AUTHORITY BONDS
REVENUES				
Taxes and special assessments	\$	\$	\$	\$
Interest earnings	17.49		1,345.32	1,104.57
Other revenues				
TOTAL REVENUES	<u>17.49</u>		<u>1,345.32</u>	<u>1,104.57</u>
EXPENDITURES				
Debt Service				
Principal retirement	2,690.49	8,583.99	60,000.00	100,000.00
Interest and fiscal charges	<u>1,056.86</u>	<u>5,735.34</u>	<u>27,931.50</u>	<u>60,327.75</u>
TOTAL EXPENDITURES	<u>3,747.35</u>	<u>14,319.33</u>	<u>87,931.50</u>	<u>160,327.75</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,729.86)</u>	<u>(14,319.33)</u>	<u>(86,586.18)</u>	<u>(159,223.18)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,748.00	14,319.33	84,018.00	157,540.00
Operating transfers out				
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,748.00</u>	<u>14,319.33</u>	<u>84,018.00</u>	<u>157,540.00</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	18.14		(2,568.18)	(1,683.18)
FUND BALANCE, JULY 1	<u>522.07</u>		<u>35,531.79</u>	<u>28,751.54</u>
FUND BALANCE, JUNE 30	\$ <u><u>540.21</u></u>	\$ <u><u></u></u>	\$ <u><u>32,963.61</u></u>	\$ <u><u>27,068.36</u></u>

2002 BUILDING AUTHORITY REFUNDING	TOTAL DEBT SERVICE 2006	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR DEBT SERVICE 2006	TOTAL DEBT SERVICE 2005
\$	\$	\$	\$	\$
872.23	319,905.55	(209,648.10)	110,257.45	356,414.28
	35,620.73	(9,274.52)	26,346.21	90,242.62
	1,893.12		1,893.12	2,057.67
<u>872.23</u>	<u>357,419.40</u>	<u>(218,922.62)</u>	<u>138,496.78</u>	<u>448,714.57</u>
140,000.00	1,088,479.44	(200,000.00)	888,479.44	1,183,328.54
<u>31,210.25</u>	<u>247,430.83</u>	<u>(22,677.00)</u>	<u>224,753.83</u>	<u>303,123.00</u>
<u>171,210.25</u>	<u>1,335,910.27</u>	<u>(222,677.00)</u>	<u>1,113,233.27</u>	<u>1,486,451.54</u>
(170,338.02)	(978,490.87)	3,754.38	(974,736.49)	(1,037,736.97)
168,524.00	990,617.61		990,617.61	947,822.94
	(79,244.53)		(79,244.53)	(23,331.44)
<u>168,524.00</u>	<u>911,373.08</u>		<u>911,373.08</u>	<u>924,491.50</u>
(1,814.02)	(67,117.79)	3,754.38	(63,363.41)	(113,245.47)
<u>22,618.23</u>	<u>1,037,693.05</u>	<u>(298,312.75)</u>	<u>739,380.30</u>	<u>1,150,938.52</u>
\$ <u><u>20,804.21</u></u>	\$ <u><u>970,575.26</u></u>	\$ <u><u>(294,558.37)</u></u>	\$ <u><u>676,016.89</u></u>	\$ <u><u>1,037,693.05</u></u>

CAPITAL PROJECTS FUNDS

Capital Projects Funds are designed to account for the resources expended to acquire assets of a relatively permanent nature. (Enterprise Fund resources are not included in this category). These funds satisfy the special accounting requirements for bond proceeds and projects utilizing more than one funding source.

Capital Projects Funds provide a formal mechanism which enables administrators to ensure that revenues dedicated to a certain purpose are used only for that purpose and further enables them to report to creditors and other grantors of Capital Projects Fund revenue that their requirements regarding the use of the revenue were fully satisfied.

The City's Capital Projects Funds include the Land Acquisition, Infrastructure, 2005 Equipment Financing, 2003 General Obligation Construction, 2006 General Obligation Construction, 2003 Special Assessment Construction, and 2005 Special Assessment Construction.

CITY OF LAPEER, MICHIGAN
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2006
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	LAND ACQUISITION	INFRA- STRUCTURE	2005 EQUIPMENT FINANCING
ASSETS			
Cash	\$ 365,884.47	\$ 116,175.37	\$ 944,680.25
Accounts receivable		54,523.14	
Due from other funds	<u>42,306.00</u>	<u>326.79</u>	
TOTAL ASSETS	<u>\$ 408,190.47</u>	<u>\$ 171,025.30</u>	<u>\$ 944,680.25</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$	\$ 87,712.00	\$
Deferred revenue		4,289.69	
Due to other funds			<u>95,016.50</u>
TOTAL LIABILITIES		<u>92,001.69</u>	<u>95,016.50</u>
FUND BALANCE			
Unreserved and undesignated	<u>408,190.47</u>	<u>79,023.61</u>	<u>849,663.75</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 408,190.47</u>	<u>\$ 171,025.30</u>	<u>\$ 944,680.25</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are established to finance and account for services and/or commodities furnished by a designated program to other programs within the City. Since the services and commodities are supplied exclusively to programs under the City's jurisdiction, they are distinguishable from those services which are rendered to the public in general and which are accounted for in General, Special Revenue or Enterprise Funds.

The City's Motor Pool Fund, Information Technology Fund, and Telephone Communication Fund are operated as Internal Service Funds.

CITY OF LAPEER, MICHIGAN
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2006
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR CAPITAL PROJECTS 2006	TOTAL CAPITAL PROJECTS 2005
ASSETS			
Cash	\$ (944,680.25)	\$ 482,059.84	\$ 674,317.45
Accounts receivable		54,523.14	130,953.18
Due from other funds		42,632.79	1,257.86
TOTAL ASSETS	<u>\$ (944,680.25)</u>	<u>\$ 579,215.77</u>	<u>\$ 806,528.49</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$	\$ 88,137.25	\$ 13,289.24
Deferred revenue		4,289.69	8,267.20
Due to other funds	<u>(95,016.50)</u>		<u>12,177.67</u>
TOTAL LIABILITIES	<u>(95,016.50)</u>	<u>92,426.94</u>	<u>33,734.11</u>
FUND BALANCE			
Unreserved and undesignated	<u>(849,663.75)</u>	<u>486,788.83</u>	<u>772,794.38</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ (944,680.25)</u>	<u>\$ 579,215.77</u>	<u>\$ 806,528.49</u>

CITY OF LAPEER, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	LAND ACQUISITION	INFRA- STRUCTURE	2005 EQUIPMENT FINANCING
REVENUES			
Interest	\$ 17,402.18	\$ 2,626.53	\$ 14,130.53
Other	<u>95,000.00</u>	<u>54,609.64</u>	<u></u>
TOTAL REVENUES	<u>112,402.18</u>	<u>57,236.17</u>	<u>14,130.53</u>
EXPENDITURES			
Construction			
Capital outlay		134,033.45	70,774.00
Other	<u>778.17</u>	<u>78,635.98</u>	<u>7,676.93</u>
TOTAL EXPENDITURES	<u>778.17</u>	<u>212,669.43</u>	<u>78,450.93</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>111,624.01</u>	<u>(155,433.26)</u>	<u>(64,320.40)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds			970,000.00
Operating transfers in	23,266.00	175,866.00	
Operating transfers out	<u>(314,271.00)</u>	<u>(47,855.76)</u>	<u>(56,020.00)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(291,005.00)</u>	<u>128,010.24</u>	<u>913,980.00</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(179,380.99)</u>	<u>(27,423.02)</u>	<u>849,659.60</u>
FUND BALANCE, JULY 1	<u>587,571.46</u>	<u>106,446.63</u>	<u>4.15</u>
FUND BALANCE, JUNE 30	<u>\$ 408,190.47</u>	<u>\$ 79,023.61</u>	<u>\$ 849,663.75</u>

2003 GENERAL OBLIGATION CONSTRUCTION	2006 GENERAL OBLIGATION CONSTRUCTION	2003 SPECIAL ASSESSMENT CONSTRUCTION	2006 SPECIAL ASSESSMENT CONSTRUCTION	TOTAL CAPITAL PROJECTS 2006
\$ 934.45	\$	\$ 562.93	\$	\$ 35,656.62
<u>934.45</u>	<u></u>	<u>562.93</u>	<u></u>	<u>149,609.64</u>
				<u>185,266.26</u>
				204,807.45
	265.78		159.47	<u>87,516.33</u>
	<u>265.78</u>		<u>159.47</u>	<u>292,323.78</u>
<u>934.45</u>	<u>(265.78)</u>	<u>562.93</u>	<u>(159.47)</u>	<u>(107,057.52)</u>
				970,000.00
<u>(50,277.66)</u>	<u></u>	<u>(29,991.86)</u>	<u></u>	<u>199,132.00</u>
<u>(50,277.66)</u>	<u></u>	<u>(29,991.86)</u>	<u></u>	<u>(498,416.28)</u>
				<u>670,715.72</u>
(49,343.21)	(265.78)	(29,428.93)	(159.47)	563,658.20
<u>49,343.21</u>	<u></u>	<u>29,428.93</u>	<u></u>	<u>772,794.38</u>
\$ <u><u></u></u>	\$ <u><u>(265.78)</u></u>	\$ <u><u></u></u>	\$ <u><u>(159.47)</u></u>	\$ <u><u>1,336,452.58</u></u>

CITY OF LAPEER, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - Concluded
 CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR CAPITAL PROJECTS 2006	TOTAL CAPITAL PROJECTS 2005
REVENUES			
Interest	\$ (14,130.53)	\$ 21,526.09	\$ 13,358.25
Other		149,609.64	485,513.99
TOTAL REVENUES	<u>(14,130.53)</u>	<u>171,135.73</u>	<u>498,872.24</u>
EXPENDITURES			
Construction			
Capital outlay	(70,774.00)	134,033.45	695,848.81
Other	<u>(7,676.93)</u>	<u>79,839.40</u>	<u>14,066.47</u>
TOTAL EXPENDITURES	<u>(78,450.93)</u>	<u>213,872.85</u>	<u>709,915.28</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>64,320.40</u>	<u>(42,737.12)</u>	<u>(211,043.04)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	(970,000.00)		183,293.60
Operating transfers in		199,132.00	530,694.90
Operating transfers out	<u>56,020.00</u>	<u>(442,396.28)</u>	<u>(499,676.70)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(913,980.00)</u>	<u>(243,264.28)</u>	<u>214,311.80</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(849,659.60)</u>	<u>(286,001.40)</u>	<u>3,268.76</u>
FUND BALANCE, JULY 1	<u>(4.15)</u>	<u>772,790.23</u>	<u>769,525.63</u>
FUND BALANCE, JUNE 30	<u>\$ (849,663.75)</u>	<u>\$ 486,788.83</u>	<u>\$ 772,794.39</u>

TELEPHONE COMMUN- ICATION	2006	TOTALS	2005
\$ 2,009.63	\$ 369,016.11	\$ 211,102.08	
	2,090.00	27,058.60	
	4,270.18	3,205.23	
	31,565.50	24,555.35	
<u>2,009.63</u>	<u>406,941.79</u>	<u>265,921.26</u>	
	22,328.64	22,328.64	
	1,670,763.79	83,498.98	
	(1,069,903.40)	1,579,617.84	
	<u>623,189.03</u>	(1,114,590.64)	
\$ <u>2,009.63</u>	\$ <u>1,030,130.82</u>	<u>570,854.82</u>	
		\$ <u>836,776.08</u>	
\$ 2,137.72	\$ 68,763.63	\$ 24,540.29	
	311,306.00	20,841.18	
	2,217.37	1,723.94	
	40,310.37	67,328.45	
<u>2,137.72</u>	<u>422,597.37</u>	<u>114,433.86</u>	
	131,406.68	171,717.05	
<u>2,137.72</u>	<u>554,004.05</u>	<u>286,150.91</u>	
	40,000.00	100,000.00	
(128.09)	404,561.27	426,069.82	
	31,565.50	24,555.35	
(128.09)	436,126.77	450,625.17	
(128.09)	476,126.77	550,625.17	
\$ <u>2,009.63</u>	\$ <u>1,030,130.82</u>	\$ <u>836,776.08</u>	

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	MOTOR POOL	INFORMATION TECHN- OLOGY
OPERATING REVENUES		
Equipment rentals	\$ 503,478.90	\$ 180,695.00
OPERATING EXPENSES		
Salaries and wages	94,246.09	
Fringe benefits	51,918.19	
Office supplies	1,060.46	
Operating supplies	147,381.69	
Repairs and maintenance	3,371.38	115,387.84
Professional and contractual services	6,645.54	
Insurance	32,093.00	3,173.00
Rental	3,178.86	
Miscellaneous	1,361.53	
Depreciation	120,618.67	2,758.80
Capital outlay		
Utilities	<u>12,346.20</u>	
TOTAL OPERATING EXPENSES	<u>474,221.61</u>	<u>121,319.64</u>
OPERATING INCOME	<u>29,257.29</u>	<u>59,375.36</u>
NONOPERATING REVENUE (EXPENSE)		
Interest income	3,625.42	-195.13
Interest expense	(7,245.03)	(1,520.74)
Gain (loss) on sale of fixed assets	<u>(65,159.11)</u>	
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(68,778.72)</u>	<u>(1,325.61)</u>
OPERATING TRANSFERS		
Operating transfers in		
Operating transfers out	<u>(94,882.00)</u>	
TOTAL OPERATING TRANSFERS	<u>(94,882.00)</u>	
NET INCOME (LOSS)	(134,403.43)	58,049.75
REDUCTION OF CONTRIBUTED CAPITAL	60,000.00	
RETAINED EARNINGS, JULY 1	<u>518,627.78</u>	<u>(66,019.24)</u>
RETAINED EARNINGS, JUNE 30	\$ <u><u>444,224.35</u></u>	\$ <u><u>(7,969.49)</u></u>

TELEPHONE COMMUN- ICATION	2006	TOTALS	2005
\$ <u>47,065.00</u>	\$ <u>731,238.90</u>	\$ <u>665,707.57</u>	
	94,246.09	90,499.00	
	51,918.19	48,369.83	
	1,060.46	1,138.25	
	147,381.69	142,805.42	
3,502.42	122,261.64	120,961.83	
	6,645.54	6,344.31	
432.00	35,698.00	43,524.92	
	3,178.86	2,420.58	
	1,361.53	1,682.96	
	123,377.47	102,175.89	
		44,198.10	
<u>41,320.89</u>	<u>53,667.09</u>	<u>48,310.93</u>	
<u>45,255.31</u>	<u>640,796.56</u>	<u>652,432.02</u>	
<u>1,809.69</u>	<u>90,442.34</u>	<u>13,275.55</u>	
45.59	3,866.14	7,212.88	
	(8,765.77)	(9,165.88)	
	<u>(65,159.11)</u>	<u>12,743.84</u>	
<u>45.59</u>	<u>(70,058.74)</u>	<u>10,790.84</u>	
	(94,882.00)	476.36	
		<u>(100,596.00)</u>	
	(94,882.00)	(100,119.64)	
1,855.28	(74,498.40)	(76,053.25)	
	60,000.00	64,690.00	
<u>(1,983.37)</u>	<u>450,625.17</u>	<u>461,988.42</u>	
\$ <u><u>(128.09)</u></u>	\$ <u><u>436,126.77</u></u>	\$ <u><u>450,625.17</u></u>	

CITY OF LAPEER, MICHIGAN
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	MOTOR POOL	INFORMATION TECH- NOLOGY
OPERATING ACTIVITIES		
Operating income	\$ 29,257.29	\$ 59,375.36
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	120,618.67	2,758.80
Loss on sale of fixed assets		
(Increase) decrease in assets		
Inventory	(7,010.15)	
Prepaid expenses	(1,064.95)	
Accounts receivable	24,968.60	
Increase (decrease) in liabilities		
Accounts payable	22,562.39	21,347.32
Due to other funds	311,306.00	(20,681.90)
Accrued expenses	493.43	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>501,131.28</u>	<u>62,799.58</u>
NON-CAPITAL FINANCING ACTIVITIES		
Operating transfers in		
Operating transfers out	<u>(94,882.00)</u>	
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	<u>(94,882.00)</u>	
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	(240,870.79)	
Principal payments	(34,214.63)	(33,113.82)
Interest paid	(7,245.03)	(1,520.74)
Proceeds from sale of capital assets		
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(282,330.45)</u>	<u>(34,634.56)</u>

TELEPHONE COMMUN- ICATION	TOTALS	
	2006	2005
\$ 1,809.69	\$ 90,442.34	\$ 13,275.55
	123,377.47	102,175.89
		(12,743.84)
	(7,010.15)	(885.50)
	(1,064.95)	8,958.72
	24,968.60	(26,889.35)
313.63	44,223.34	5,325.82
(159.28)	290,464.82	
	493.43	9,390.90
<u>1,964.04</u>	<u>565,894.90</u>	<u>98,608.19</u>
		476.36
	<u>(94,882.00)</u>	<u>(100,596.00)</u>
	<u>(94,882.00)</u>	<u>(100,119.64)</u>
	(240,870.79)	(276,302.60)
	(67,328.45)	19,222.31
	(8,765.77)	
		36,479.84
	<u>(316,965.01)</u>	<u>(220,600.45)</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF CASH FLOWS - Concluded
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	MOTOR POOL	INFORMATION TECH- NOLOGY
INVESTING ACTIVITIES		
Increase in investments		
Interest received	\$ 3,625.42	\$ 195.13
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,625.42</u>	<u>195.13</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	127,544.25	28,360.15
CASH AND CASH EQUIVALENTS, JULY 1	<u>211,102.08</u>	<u> </u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 338,646.33</u></u>	<u><u>\$ 28,360.15</u></u>

TELEPHONE COMMUN- ICATION	2006	TOTALS	2005
\$ <u>45.59</u>	\$ <u>3,866.14</u>		300,000.00
<u>45.59</u>	<u>3,866.14</u>		\$ <u>7,212.88</u>
2,009.63	157,914.03		<u>307,212.88</u>
<u> </u>	<u>211,102.08</u>		85,100.98
\$ <u><u>2,009.63</u></u>	\$ <u><u>369,016.11</u></u>		<u>126,001.10</u>
			\$ <u><u>211,102.08</u></u>

CITY OF LAPEER, MICHIGAN
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER
STATEMENT OF CASH FLOWS TO THE COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	CASH	INVESTMENT	STATEMENT OF CASH FLOWS TOTAL
CASH AND CASH EQUIVALENTS, JULY 1	\$ 211,102.08	\$	\$ 211,102.08
NET INCREASE	<u>157,914.03</u>	<u></u>	<u>157,914.03</u>
CASH AND CASH EQUIVALENTS, JUNE 30	\$ <u>369,016.11</u>	\$ <u></u>	\$ <u>369,016.11</u>

PERMANENT FUND

The permanent fund exists to account for resources legally held in trust to be used for cemetery perpetual care.

CITY OF LAPEER, MICHIGAN
BALANCE SHEET
PERMANENT FUND
MT. HOPE CEMETERY PERPETUAL CARE
JUNE 30, 2006
WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	2006	2005
ASSETS		
Cash	\$ 138,742.26	\$ 151,332.26
Accounts receivable		180.00
TOTAL ASSETS	<u>\$ 138,742.26</u>	<u>\$ 151,512.26</u>
FUND BALANCE		
Reserved for cemetery perpetual care	\$ 138,401.27	\$ 151,171.27
Unreserved	340.99	340.99
TOTAL FUND BALANCE	<u>\$ 138,742.26</u>	<u>\$ 151,512.26</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
PERMANENT FUND
MT. HOPE CEMETERY PERPETUAL CARE
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	2006	2005
REVENUES		
Donations and rights	\$ 630.00	\$ 940.00
Interest and rent	<u>5,560.21</u>	<u>3,638.47</u>
 TOTAL REVENUES	 <u>6,190.21</u>	 <u>4,578.47</u>
 EXPENDITURES		
Other	 <u> </u>	 <u> </u>
 EXCESS OF REVENUES OVER EXPENDITURES	 6,190.21	 4,578.47
 OTHER FINANCING USES		
Operating transfers out	 <u>(18,960.21)</u>	 <u>(3,638.47)</u>
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	 (12,770.00)	 940.00
 FUND BALANCE, JULY 1	 <u>151,512.26</u>	 <u>150,572.26</u>
 FUND BALANCE, JUNE 30	 <u>\$ 138,742.26</u>	 <u>\$ 151,512.26</u>

GENERAL LONG-TERM DEBT ACCOUNT GROUP

General obligation bonds and other forms of long-term debt supported by general revenues are obligations of the governmental unit as a whole and not its individual constituent funds. Also, the proceeds of such debt may be spent on facilities which are utilized in the operations of several funds. For these reasons, the amount of such unmatured long-term indebtedness is recorded and accounted for in a separate self-balancing group of accounts titled "General Long-Term Debt Account Group."

CITY OF LAPEER, MICHIGAN
STATEMENT OF GENERAL LONG-TERM DEBT
GENERAL LONG-TERM DEBT ACCOUNT GROUP
JUNE 30, 2006

AMOUNTS AVAILABLE AND TO BE PROVIDED FOR
PAYMENT OF LONG-TERM DEBT

Amount available in Debt Service Funds	\$ 970,575.26
Amount to be provided for payment of long-term debt	<u>5,779,303.48</u>
 TOTAL	 <u>\$ 6,749,878.74</u>

GENERAL LONG-TERM DEBT PAYABLE

2001 Special Assessment Bonds	\$ 110,000.00
1997 General Obligation Tax Bond	50,000.00
1997 Special Assessment Bonds	45,000.00
1998 Special Assessment Bonds	420,000.00
Accumulated Compensated Absences	603,781.38
Fire Truck Attachment Loan	74,248.36
2001 General Obligation Bonds	195,000.00
2002 General Obligation Bonds	267,711.87
2002 Special Assessment Bonds	250,000.00
2002 Building Authority Refunding	870,000.00
Abstract Building Loan	143,644.77
Backhoe and Loader Loan	25,492.36
1998 General Obligation Bonds	240,000.00
1998 Series B General Obligation Bonds	40,000.00
1998 Series B Special Assessment Bonds	30,000.00
1999 Building Authority Bonds	635,000.00
2000 General Obligation Tax Bonds	150,000.00
2000 Special Assessment Bonds	35,000.00
2001 Building Authority Bonds	1,245,000.00
2003 Special Assessment Bonds	165,000.00
2003 General Obligation Bonds	185,000.00
Splash Park Loan	288,000.00
Fire Equipment Loan	<u>682,000.00</u>
 TOTAL	 <u>\$ 6,749,878.74</u>

CAPITAL ASSETS

CITY OF LAPEER, MICHIGAN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE
AS OF JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	2006	2005
General Fixed Assets		
Land	\$ 22,935,125.21	\$ 9,490,990.21
Construction in progress	933,610.83	1,354,928.85
Buildings	5,600,877.32	5,311,162.67
Improvements other than buildings	3,137,334.13	3,300,222.08
Machinery and equipment	1,775,125.46	2,956,775.57
Infrastructure	<u>36,727,304.73</u>	<u>807,179.51</u>
TOTAL	<u>\$ 71,109,377.68</u>	<u>\$ 23,221,258.89</u>

CITY OF LAPEER, MICHIGAN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL FIXED ASSETS JULY 1, 2005	ADDITIONS	DELETIONS	GENERAL FIXED ASSETS JUNE 30, 2006
General Government				
City Hall	\$ 1,084,412.56	\$	\$ 147,718.67	\$ 936,693.89
Accounting	97,220.50		10,220.50	87,000.00
Assessor	14,852.10		9,707.10	5,145.00
Cable advisory	4,992.63		4,992.63	
City Clerk	3,232.50		3,232.50	
City Commission	209,483.68		9,405.00	200,078.68
City Manager	32,616.95		12,365.45	20,251.50
Elections	29,588.81		29,588.81	
Geographic information systems	23,984.15		16,087.40	7,896.75
Income tax	3,444.54		3,444.54	
Information technology	438,458.08		371,957.32	66,500.76
Planning	4,158,597.71	358,693.00	91,517.00	4,425,773.71
Train depot	223,256.08	198,897.62	232,600.57	189,553.13
Cemetery	252,983.64		18,284.15	234,699.49
Total General Government	<u>6,577,123.93</u>	<u>557,590.62</u>	<u>961,121.64</u>	<u>6,173,592.91</u>
Public Safety				
Police	1,587,614.45	41,800.00	116,575.26	1,512,839.19
Fire	2,687,542.29	112,574.00	111,596.64	2,688,519.65
Parking	769,219.82		1,180.82	768,039.00
Housing rehabilitation	1,451,405.29	50,233.45	95,919.29	1,405,719.45
Total Public Safety	<u>6,495,781.85</u>	<u>204,607.45</u>	<u>325,272.01</u>	<u>6,375,117.29</u>
Parks and Recreation				
Parks	1,682,184.92	944,064.83	(95,492.01)	2,721,741.76
Trailer park	145,810.42		560.42	145,250.00
Community center	626,423.94		325,657.97	300,765.97
Total Parks and Recreation	<u>2,454,419.28</u>	<u>944,064.83</u>	<u>230,726.38</u>	<u>3,167,757.73</u>
Public Works	<u>7,693,933.80</u>	<u>47,717,680.65</u>	<u>18,704.70</u>	<u>55,392,909.75</u>
Total General Fixed Assets	<u>\$ 23,221,258.86</u>	<u>\$ 49,423,943.55</u>	<u>\$ 1,535,824.73</u>	<u>\$ 71,109,377.68</u>
Component Units				
Tax Increment Financing Authority	\$ 6,657,450.46	\$	\$ 5,089.00	\$ 6,652,361.46
Local Development Finance Authority	206,773.89			206,773.89
Downtown Development Authority	277,690.29	360,407.81	5,276.29	632,821.81
Total Component Units	<u>\$ 7,141,914.64</u>	<u>\$ 360,407.81</u>	<u>\$ 10,365.29</u>	<u>\$ 7,491,957.16</u>

CITY OF LAPEER, MICHIGAN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2006

	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS
General Government			
City Hall	\$ 1,200.00	\$ 901,011.17	\$ 34,482.72
Accounting			
Assessor			
City Commission		200,078.68	
City Manager			
Geographic information systems			
Information technology			
Planning	3,925,528.59	453,649.93	32,624.99
Train depot	42,857.13	30,000.00	108,906.00
Cemetery	105,468.75	20,490.46	8,265.72
Total General Government	<u>4,075,054.47</u>	<u>1,605,230.24</u>	<u>184,279.43</u>
Public Safety			
Police	448,263.00	1,010,929.19	
Fire	448,263.00	1,010,929.20	
Parking	768,039.00		
Housing rehabilitation	1,324,486.00	81,233.45	
Total Public Safety	<u>2,989,051.00</u>	<u>2,103,091.84</u>	
Parks and Recreation			
Parks	846,386.91	322,035.94	658,161.80
Trailer park			145,250.00
Community center	208,262.25	14,743.00	16,370.00
Total Parks and Recreation	<u>1,054,649.16</u>	<u>336,778.94</u>	<u>819,781.80</u>
Public Works	<u>14,816,370.58</u>	<u>1,555,776.30</u>	<u>2,133,272.90</u>
Total General Fixed Assets	<u>\$ 22,935,125.21</u>	<u>\$ 5,600,877.32</u>	<u>\$ 3,137,334.13</u>
Component Units			
Tax Increment Financing Authority	\$ 14,400.00	\$ 6,637,961.46	\$
Local Development Finance Authority	206,773.89		
Downtown Development Authority	154,000.00	138,004.00	
Total Component Units	<u>\$ 375,173.89</u>	<u>\$ 6,775,965.46</u>	<u>\$</u>

MACHINERY AND EQUIPMENT	CONSTRUCTION IN PROGRESS	INFRASTRUCTURE	TOTAL
\$	\$	\$	\$
87,000.00			936,693.89
5,145.00			87,000.00
			5,145.00
20,251.50			200,078.68
7,896.75			20,251.50
66,500.76			7,896.75
	13,970.20		66,500.76
7,790.00			4,425,773.71
100,474.56			189,553.13
			234,699.49
<u>295,058.57</u>	<u>13,970.20</u>		<u>6,173,592.91</u>
53,647.00			1,512,839.19
1,158,553.45	70,774.00		2,688,519.65
			768,039.00
			1,405,719.45
<u>1,212,200.45</u>	<u>70,774.00</u>		<u>6,375,117.29</u>
137,935.72	757,221.39		2,721,741.76
61,390.72			145,250.00
<u>199,326.44</u>	<u>757,221.39</u>		<u>300,765.97</u>
68,540.00	91,645.24	36,727,304.73	3,167,757.73
<u>1,775,125.46</u>	<u>933,610.83</u>	<u>36,727,304.73</u>	<u>55,392,909.75</u>
\$	\$	\$	\$
			6,652,361.46
	340,817.81		206,773.89
			632,821.81
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	340,817.81		7,491,957.16



Layton & Richardson, P.C.

Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and City Commission
City of Lapeer
Lapeer, Michigan

Compliance

We have audited the compliance of the City of Lapeer, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of Lapeer, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Lapeer, Michigan's management. Our responsibility is to express an opinion on the City of Lapeer, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about the City of Lapeer, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Lapeer, Michigan's compliance with those requirements.

In our opinion, the City of Lapeer, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Lapeer, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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This report is intended for the information of the management, the Honorable Mayor and City Commission and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
August 25, 2006

CITY OF LAPEER, MICHIGAN
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/ PROGRAM TITLE NUMBER	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD		EXPENDITURES
			FROM	TO	
Transportation Enhancement	04-5382		10-01-05	06-30-06	\$ 143,792.25
Byrne Memorial	16.738	70898-6-06B	10-01-05	09-30-06	37,375.08
Community Development Block Grant	14.228	MSC-2004-0292-MDC	07-01-04	06-30-05	182,900.00
	14.228	MSC-2004-0292-MDC	07-01-04	06-30-06	375,000.00
	14.239	M-2003-0292-NPD	07-01-04	06-30-06	277,100.00
Michigan Council for Arts and Cultural Affairs	45.025		10-01-05	09-30-06	<u>1,200.00</u>
TOTAL					<u>\$ 1,017,367.33</u>

CITY OF LAPEER, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

A. SUMMARY OF AUDIT RESULTS

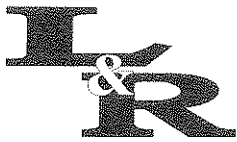
1. The auditor's report expresses a qualified opinion on the general purpose financial statements of the City of Lapeer.
2. No reportable conditions relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the City of Lapeer were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported.
5. The auditor's report on compliance for the major federal award programs for the City of Lapeer expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for the City of Lapeer.
7. The program tested as a major program was: Community Development Block Grant, CFDA No. 14.228 and 14.239.
8. The threshold for distinguishing Types A and B programs was \$300,000.00.
9. City of Lapeer was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS -- MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.



Layton & Richardson, P.C.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Commission
City of Lapeer
Lapeer, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lapeer, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City of Lapeer, Michigan's basic financial statements and have issued our report thereon dated August 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lapeer, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lapeer, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the City of Lapeer, Michigan, in a separate letter dated August 25, 2006.

This report is intended solely for the information and use of the audit committee, others within the organization, City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
August 25, 2006

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Layton & Richardson, P.C.

Certified Public Accountants

LETTER OF COMMENTS AND RECOMMENDATIONS

Honorable Mayor and City Commission
City of Lapeer
Lapeer, Michigan

We have examined the financial statements of the CITY OF LAPEER, MICHIGAN for the year ended June 30, 2006, and have issued our report thereon dated August 25, 2006. As part of our audit, we made a study and evaluation of the City's system of internal accounting controls to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Accordingly, we do not express an opinion on the system of internal accounting control taken as a whole.

The management of the City of Lapeer, Michigan is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all weaknesses in the system. However, our examination did disclose the following conditions that we believe result in a risk that errors or irregularities in amounts that would be material in relation to the financial statements of the City of Lapeer may occur and not be detected within a timely period.

PRIOR YEAR RECOMMENDATIONS

FIXED ASSET RECORDS

The City's control over fixed assets has improved but fixed assets additions and deletions of the proprietary fund type fixed assets are still recorded as part of the year end audit. We recommend that additions and deletions of fixed assets be recorded when they occur. **This has not been implemented.**

PAYROLL

We noted that several W-4's were outdated. We recommend that W-4's be updated every three years or whenever an employee wishes to change their exemptions. This will ensure that proper amounts are being withheld. **This has been implemented.**

We noted that there is no review of the payroll before checks are printed. We recommend that someone review the payroll to ensure the accuracy of each check. **This has been implemented.**

We noted that one employee was having the wrong amount withheld for income taxes. Each W-4 should be compared to the computer system to ensure that all amounts being withheld are correct. **This has been implemented.**

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PRIOR YEAR RECOMMENDATIONS - Concluded

CREDIT CARDS

We noted that there are an extremely high number of credit cards being issued to employees. We recommend that only the department head and one or two key employees in that department have a credit card. This will make for an easier review of credit card expenses and reduce the chance of credit card misuse. **The City Manager and Director of Financial Services have reviewed the list of credit card holders, with the city's department heads, to determine the number required for efficient operations of city departments. Based upon this review there has been a substantial reduction (41% decrease) in the number of cards utilized by city staff. This reduction in the number of authorized card holders became effective September 30, 2005.**

CURRENT YEAR RECOMMENDATIONS

None.

We are grateful to the officials and employees of the City of Lapeer, Michigan for the assistance and cooperation which we received during the audit, and we thank them.

Very truly yours,


Certified Public Accountants

East Lansing, Michigan
August 25, 2006

STATISTICAL SECTION

CITY OF LAPEER, MICHIGAN
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

FISCAL YEAR	GENERAL GOVERNMENT	PUBLIC SAFETY	PUBLIC WORKS	COMMUNITY DEVELOPMENT AND ENRICHMENT	HIGHWAYS AND STREETS	CULTURE AND RECREATION
1997	\$ 984.00	\$ 1,332.00	\$ 614.00	\$ 2,573.00	\$ 1,197.00	\$ 1,065.00
1998	1,030.00	1,509.00	662.00	2,250.00	2,392.00	1,081.00
1999	1,154.00	1,558.00	609.00	881.00	3,515.00	1,218.00
2000	1,183.00	1,707.00	640.00	1,906.00	1,153.00	1,284.00
2001	1,225.00	1,803.00	694.00	1,726.00	1,492.00	1,348.00
2002	1,249.00	1,938.00	722.00	1,714.00	1,588.00	1,506.00
2003	1,387.00	2,229.00	788.00	1,062.00	1,961.00	1,562.00
2004	1,321.00	2,225.00	735.00	767.00	2,072.00	1,796.00
2005	1,306.00	2,395.00	730.00	645.00	878.00	2,013.00
2006	1,387.00	2,578.00	812.00	1,516.00	981.00	2,595.00

CAPITAL OUTLAY	OTHER	INTEREST ON LONG-TERM DEBT	WATER	SEWER	PARKING	TOTAL
\$ 397.00	\$ 428.00	\$ 430.00	\$ 1,093.00	\$ 1,403.00	\$ 45.00	\$ 11,561.00
218.00	521.00	372.00	1,482.00	1,322.00	49.00	12,888.00
574.00	491.00	491.00	1,479.00	1,429.00	69.00	13,468.00
1,714.00	532.00	499.00	1,381.00	1,428.00	56.00	13,483.00
1,031.00	637.00	430.00	1,531.00	1,587.00	57.00	13,561.00
1,466.00	664.00	448.00	1,604.00	1,563.00	51.00	14,513.00
682.00	264.00	428.00	1,827.00	1,767.00	64.00	14,021.00
401.00	183.00	329.00	1,833.00	1,735.00	70.00	13,467.00
696.00	197.00	303.00	1,749.00	1,921.00	77.00	12,910.00
205.00	282.00	247.00	1,801.00	1,849.00	68.00	14,321.00

CITY OF LAPEER, MICHIGAN
GOVERNMENT-WIDE REVENUES
LAST TEN FISCAL YEARS

PROGRAM REVENUES				
FISCAL YEAR		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
1997	\$	4,004,935.32	\$ 506,840.00	\$ 665,215.00
1998		4,210,461.96	573,837.00	146,748.00
1999		4,767,966.64	621,128.00	184,807.00
2000		4,876,845.24	627,525.00	383,609.00
2001		4,440,596.23	699,641.00	262,836.00
2002		4,840,353.80	719,076.00	407,454.00
2003		5,997,683.30	1,536,325.59	
2004		7,220,909.53	1,103,848.86	
2005		7,221,836.58	904,933.35	
2006		6,583,823.91	3,014,335.27	

GENERAL REVENUES

	TAXES	GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	UNRESTRICTED INVESTMENT EARNINGS	MISCELLANEOUS	TOTAL
\$	3,247,303.92	\$ 751,322.00	\$ 500,821.24	\$ 543,523.10	\$ 10,219,960.58
	3,402,036.98	774,374.00	614,451.11	217,325.55	9,939,234.60
	3,662,336.26	816,444.00	587,424.86	520,261.49	11,160,368.25
	3,906,418.58	836,253.00	724,647.08	709,958.96	12,065,256.86
	3,866,991.69	938,510.00	677,510.35	402,211.78	11,288,297.05
	4,135,221.28	1,037,526.00	420,249.29	269,860.59	11,829,740.96
	5,644,884.30		302,319.06	676,290.37	14,157,502.62
	4,339,746.67		256,562.02	1,184,987.50	14,106,054.58
	4,474,048.32		348,843.34	1,287,261.21	14,236,922.80
	4,836,793.27		509,936.11	(53,731.27)	14,891,157.29

CITY OF LAPEER, MICHIGAN
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

FISCAL YEAR	GENERAL GOVERNMENT	PUBLIC SAFETY	PUBLIC WORKS	COMMUNITY DEVELOPMENT AND ENRICHMENT	HIGHWAYS AND STREETS
1997	\$ 984.00	\$ 1,332.00	\$ 614.00	\$ 2,573.00	\$ 1,197.00
1998	1,030.00	1,509.00	662.00	2,250.00	2,392.00
1999	1,154.00	1,558.00	609.00	881.00	3,515.00
2000	1,183.00	1,707.00	640.00	1,906.00	1,153.00
2001	1,225.00	1,803.00	694.00	1,726.00	1,492.00
2002	1,249.00	1,938.00	722.00	1,714.00	1,588.00
2003	1,387.00	2,229.00	788.00	1,062.00	1,961.00
2004	1,321.00	2,225.00	735.00	767.00	2,072.00
2005	1,306.00	2,395.00	730.00	645.00	878.00
2006	1,387.00	2,578.00	812.00	1,516.00	981.00

(1) Includes general, special revenue, and debt service funds

CULTURE AND RECREATION	CAPITAL OUTLAY	OTHER	DEBT SERVICE	TOTAL
\$ 1,065.00	\$ 397.00	\$ 428.00	\$ 1,390.00	\$ 9,980.00
1,081.00	218.00	521.00	1,345.00	11,008.00
1,218.00	574.00	491.00	1,651.00	11,651.00
1,284.00	1,714.00	532.00	1,896.00	12,015.00
1,348.00	1,031.00	637.00	1,756.00	11,712.00
1,506.00	1,466.00	664.00	1,926.00	12,773.00
1,562.00	682.00	264.00	3,312.00	13,247.00
1,796.00	401.00	183.00	1,482.00	10,982.00
2,013.00	696.00	197.00	1,487.00	10,347.00
2,595.00	205.00	282.00	1,336.00	11,692.00

CITY OF LAPEER, MICHIGAN
GENERAL GOVERNMENT REVENUES BY SOURCE
LAST TEN FISCAL YEARS

FISCAL YEAR		TAXES		LICENSES AND PERMITS		INTER- GOVERNMENTAL		CHARGES FOR SERVICES
1997	\$	4,120,764.07	\$	6,082.00	\$	1,923,286.98	\$	1,312,650.21
1998		4,252,265.58		6,302.40		1,620,443.00		1,414,292.37
1999		4,479,579.95		1,997.50		1,606,061.79		1,492,882.91
2000		4,742,843.09		7,088.00		1,754,530.15		1,617,326.90
2001		4,757,038.89		7,750.00		2,100,497.38		1,652,916.14
2002		5,103,654.63		4,821.00		2,149,964.29		1,585,075.28
2003		4,180,289.78		7,062.00		1,892,186.34		1,769,823.18
2004		4,293,785.48		4,188.00		1,975,778.06		1,807,287.40
2005		4,463,662.59		7,721.50		1,706,431.60		1,968,633.05
2006		4,935,444.21		8,044.26		2,875,472.45		2,097,808.88

FINES AND FORFEITS	INVESTMENT EARNINGS	SPECIAL ASSESSMENTS	MISCELLANEOUS	TOTAL
\$ 67,104.36	\$ 633,438.02	\$ 581,753.97	\$ 571,889.42	\$ 9,216,969.03
73,440.65	761,951.81	793,588.56	259,166.10	9,181,450.47
57,390.98	676,086.70	574,991.15	366,778.68	9,255,769.66
78,589.06	707,001.81	480,612.61	850,558.52	10,238,550.14
72,464.39	751,789.39	361,293.38	433,087.63	10,136,837.20
54,824.44	488,639.60	437,577.43	208,664.33	10,033,221.00
65,583.71	352,246.23	379,294.78	929,668.39	9,576,154.41
63,256.68	280,621.19	466,584.21	603,578.90	9,495,079.92
42,542.20	296,562.05	356,414.28	1,185,174.77	10,027,142.04
48,818.82	341,446.27	319,905.55	937,785.17	11,564,725.61

CITY OF LAPEER, MICHIGAN
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS

FISCAL YEAR	PROPERTY TAX	INCOME TAX	PENALTIES AND INTEREST
1997	\$ 2,365,368.52	\$ 1,727,595.44	\$ 27,800.11
1998	2,424,980.66	1,805,213.96	22,070.96
1999	2,498,589.78	1,937,153.41	43,836.76
2000	2,603,521.16	2,105,049.74	34,272.19
2001	2,746,998.00	1,968,185.84	41,855.05
2002	2,922,311.98	2,100,527.45	80,815.20
2003	2,082,519.29	2,050,821.81	46,948.68
2004	2,073,110.88	2,164,035.74	56,638.86
2005	2,147,464.60	2,243,650.17	72,547.82
2006	2,547,151.20	2,318,484.99	69,808.20

CITY OF LAPEER, MICHIGAN
PROPERTY TAX LEVIES AND COLLECTIONS

FISCAL YEAR	TOTAL TAX LEVY	CURRENT TAX COLLECTIONS	PERCENT OF CURRENT TAXES COLLECTED
1997	\$ 1,308,931.26	\$ 1,246,290.23	95.21%
1998	1,390,002.31	1,323,999.21	95.25%
1999	1,486,217.97	1,419,345.04	95.50%
2000	1,570,156.97	1,511,416.84	96.26%
2001	1,657,260.29	1,597,372.56	96.39%
2002	1,752,035.65	1,687,335.87	96.31%
2003	1,864,422.24	1,790,579.20	96.04%
2004	1,862,425.89	1,757,712.64	94.38%
2005	1,931,878.81	1,839,811.30	95.23%
2006	2,315,842.53	2,214,238.54	95.61%

DELINQUENT TAX COLLECTIONS	TOTAL TAX COLLECTIONS	RATIO OF TOTAL TAX COLLECTIONS TO TOTAL TAX LEVY	OUTSTANDING DELIQUENT TAXES	RATIO OF DELINQUENT TAXES TO TOTAL TAX LEVY
\$ 56,547.06	\$ 1,302,837.29	99.53%	\$ 6,093.97	0.47%
65,797.45	1,389,796.66	99.99%	205.65	0.01%
66,121.41	1,485,466.45	99.95%	751.52	0.05%
58,582.76	1,569,999.60	99.99%	157.37	0.01%
59,448.62	1,656,821.18	99.97%	439.11	0.03%
64,699.78	1,752,035.65	100.00%		
62,675.12	1,853,254.32	99.40%	11,167.92	0.60%
82,361.32	1,840,073.96	98.80%	22,351.93	1.20%
14,736.15	1,854,547.45	96.00%	77,331.36	4.00%
96,382.88	2,310,621.42	99.77%	5,221.11	0.23%

CITY OF LAPEER, MICHIGAN
ASSESED AND ESTIMATED ACTUAL VALUE OF PROPERTY
LAST TEN FISCAL YEARS

FISCAL YEAR	REAL PROPERTY			PERSONAL PROPERTY
	(1) ASSESSED VALUE	(2) TAXABLE VALUE	ESTIMATED TRUE CASH VALUE	(1) ASSESSED VALUE
1997	\$ 117,209,200.00	\$ 113,461,823.00	\$ 234,418,400.00	\$ 23,926,900.00
1998	124,983,000.00	118,731,243.00	249,966,000.00	27,955,300.00
1999	134,613,400.00	122,605,285.00	269,226,800.00	32,742,800.00
2000	146,597,900.00	127,706,804.00	293,195,800.00	36,904,400.00
2001	158,234,200.00	135,027,837.00	316,468,400.00	38,330,700.00
2002	189,367,600.00	146,364,245.00	378,735,200.00	37,796,900.00
2003	199,607,600.00	154,904,355.00	399,215,200.00	41,817,300.00
2004	211,581,400.00	160,522,273.00	423,162,800.00	38,886,900.00
2005	232,378,800.00	169,189,533.00	464,757,600.00	39,179,500.00
2006	244,631,900.00	181,049,839.00	489,263,800.00	40,276,300.00

(1) Assessed Value is based on 50% of estimated true cash value

(2) Taxable Value is legally authorized tax base

PERSONAL PROPERTY		TOTAL			RATIO OF TOTAL TAXABLE VALUE TO TOTAL ESTIMATED TRUE CASH VALUE
(2) TAXABLE VALUE	ESTIMATED TRUE CASH VALUE	ASSESSED VALUE	TAXABLE VALUE	ESTIMATED TRUE CASH VALUE	
\$ 23,926,900.00	\$ 47,853,800.00	\$ 141,136,100.00	\$ 137,388,723.00	\$ 282,272,200.00	48.67%
27,955,300.00	55,910,600.00	152,938,300.00	146,686,543.00	305,876,600.00	47.96%
32,742,800.00	65,485,600.00	167,356,200.00	155,348,085.00	334,712,400.00	46.41%
36,904,400.00	73,808,800.00	183,502,300.00	164,611,204.00	367,004,600.00	44.85%
38,330,700.00	76,661,400.00	196,564,900.00	173,358,537.00	393,129,800.00	44.10%
37,796,900.00	75,593,800.00	227,164,500.00	184,161,145.00	454,329,000.00	40.53%
41,817,300.00	83,634,600.00	241,424,900.00	196,721,655.00	482,849,800.00	40.74%
38,886,900.00	77,773,800.00	250,468,300.00	199,409,173.00	500,936,600.00	39.81%
39,179,500.00	78,359,000.00	271,558,300.00	208,369,033.00	543,116,600.00	38.37%
40,276,300.00	80,552,600.00	284,908,200.00	221,326,139.00	569,816,400.00	38.84%

CITY OF LAPEER, MICHIGAN
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

FISCAL YEAR	CITY OF LAPEER			COUNTY OF LAPEER		
	OPERATING MILLAGE	INFRA- STRUCTURE MILLAGE	TOTAL CITY MILLAGE	OPERATING MILLAGE	LIBRARY MILLAGE	SENIOR CITIZEN MILLAGE
1997	7.7911	1.0000	8.7911	4.1923	0.4609	0.1175
1998	7.7911	1.0000	8.7911	4.0710	0.8860	0.1157
1999	7.7911	1.0000	8.7911	4.0405	0.8732	0.1250
2000	7.7911	1.0000	8.7911	4.0977	0.8797	0.1234
2001	7.7911	1.0000	8.7911	4.0460	0.8686	0.1218
2002	7.7911	1.0000	8.7911	3.9901	0.8566	0.1201
2003	7.7911	1.0000	8.7911	3.9454	0.8470	0.1250
2004	7.7911	1.0000	8.7911	3.8941	0.8359	0.1233
2005	7.7911	1.0000	8.7911	3.8539	0.8272	0.2500
2006	8.8000	1.0000	9.8000	3.8165	0.8191	0.2475

COUNTY OF LAPEER		
E-911 MILLAGE	SUNCREST -MCF MILLAGE	TOTAL COUNTY MILLAGE
0.7500	0.0000	5.5207
0.7384	0.0000	5.8111
0.7277	0.8000	6.5664
0.7331	0.7900	6.6239
0.7238	0.7800	6.5402
0.0000	0.7692	5.7360
0.0000	0.7605	5.6779
0.0000	0.7506	5.6039
0.0000	0.7428	5.6739
0.0000	0.7355	5.6186

LAPEER COMMUNITY SCHOOL		
OPERATING MILLAGE	DEBT MILLAGE	TOTAL SCHOOL MILLAGE
18.0000	0.8500	18.8500
18.0000	0.7500	18.7500
18.0000	0.6500	18.6500
17.8884	0.6000	18.4884
17.8079	0.6000	18.4079
17.6280	0.3750	18.0030
18.0000	0.0000	18.0000
18.0000	2.2500	20.2500
18.0000	2.2320	20.2320
18.0000	2.2174	20.2174

CITY OF LAPEER, MICHIGAN
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS - Concluded
LAST TEN FISCAL YEARS

FISCAL YEAR	LAPEER INTERMEDIATE SCHOOL				STATE OF MICHIGAN		TOTAL
	OPERATING MILLAGE	SPECIAL EDUCATION MILLAGE	VOCATIONAL EDUCATION MILLAGE	TOTAL SCHOOL MILLAGE	STATE EDUCATION MILLAGE	TOTAL STATE MILLAGE	
1997	0.2060	0.9154	2.1054	3.2268	6.0000	6.0000	42.3886
1998	0.2057	0.9141	2.1025	3.2223	6.0000	6.0000	42.5745
1999	0.2041	0.9072	2.0865	3.1978	6.0000	6.0000	43.2053
2000	0.2017	0.8966	2.0622	3.1605	6.0000	6.0000	43.0639
2001	0.1990	0.8848	2.0351	3.1189	6.0000	6.0000	42.8581
2002	0.1963	0.8730	2.0080	3.0773	6.0000	6.0000	41.6074
2003	0.1943	0.8643	1.9881	3.0467	6.0000	6.0000	41.5157
2004	0.1918	0.8534	1.9632	3.0084	5.0000	5.0000	42.6534
2005	0.1899	0.8452	1.9443	2.9794	6.0000	6.0000	43.6764
2006	0.1880	0.8371	1.9258	2.9509	6.0000	6.0000	44.5869

CITY OF LAPEER, MICHIGAN

PRINCIPAL TAXPAYERS

JUNE 30, 2006

TAXPAYER	TYPE OF BUSINESS	2005 TAXABLE VALUATION	PERCENTAGE OF TOTAL TAXABLE VALUE
Lemforder ZF Corporation	Machine automotive and industrial metal products	\$ 11,734,840.00	4.67%
Urgent Design & Manufacturing	Rapid proto-type fabrication and manufacturing	5,866,050.00	2.33%
H & H Tools, Inc.	Manufacture of transmission, hydraulic, and AC parts	4,996,139.00	1.99%
Wal-Mart Stores East LP	Retail store	4,987,669.00	1.98%
Meijer, Inc.	Retail store	4,684,200.00	1.86%
Detroit Edison Company	Electric Utility	4,527,700.00	1.80%
Rolling Hills Apartments, Inc.	Apartments	3,741,941.00	1.49%
Creative Eng Polymer Products	Injection and blow-molded plastice automotive parts	3,700,500.00	1.47%
Dott Industries, Inc.	Chrome plating	3,615,820.00	1.44%
Lapeer Associates LLC	Rental management-commercial	3,153,967.00	1.25%

CITY OF LAPEER, MICHIGAN
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS

FISCAL YEAR JUNE 30,	SPECIAL ASSESSMENT BILLINGS	SPECIAL ASSESSMENT COLLECTED
1997	\$ 265,814.06	\$ 516,723.51
1998	425,107.12	625,525.13
1999	466,184.22	626,281.73
2000	392,797.62	479,255.23
2001	397,705.01	503,998.12
2002	399,135.81	457,709.55
2003	272,564.09	369,259.01
2004	311,314.81	466,584.21
2005	351,405.62	424,215.02
2006	295,508.12	330,016.91

CITY OF LAPEER, MICHIGAN
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2006

Assessed valuations:		
Advalorem Assessed Value		\$ 284,908,200.00
Industrial Facilities Tax Assessed Value		<u>30,121,700.00</u>
Total Assessed Value		315,029,900.00
Legal debt margin		
Debt limitation - 10 percent of total assessed value		31,502,990.00
Debt applicable to limitation:		
Total bonded debt	9,627,372.00	
Less: Special assessment bonds	1,055,000.00	
Revenue bonds	3,095,000.00	
Transportation bonds		
Equipment financing contracts	1,462,372.00	
Amount available for repayment of general obligation bonds	<u>145,459.00</u>	
Total debt applicable to limitation		<u>3,869,541.00</u>
Legal debt margin		\$ <u><u>27,633,449.00</u></u>

CITY OF LAPEER, MICHIGAN
RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

FISCAL YEAR	(1) POPULATION	(2) ASSESSED VALUE	(3) GROSS BONDED DEBT
1997	7,989	\$ 141,136,100.00	\$ 4,729,236.98
1998	7,988	152,938,300.00	5,543,015.02
1999	7,982	167,356,200.00	6,754,389.30
2000	9,072	183,502,300.00	5,874,506.36
2001	9,100	196,564,900.00	6,989,165.05
2002	9,130	227,164,500.00	6,643,988.37
2003	9,395	241,424,900.00	6,113,108.00
2004	9,395	250,468,300.00	5,717,328.42
2005	9,395	271,558,300.00	5,291,105.96
2006	9,370	284,908,200.00	5,477,371.79

- (1) Annual government census
- (2) From the Assessed and Estimated Actual Value of Property table in this section
- (3) Amount does not include special assessment bonds and revenue bonds
- (4) Amount available for repayment of general obligation bonds
- (5) These amounts are the general obligation bonds that are being repaid by the Water and Sewer Funds

(4) LESS DEBT SERVICE FUND	(5) DEBT PAYABLE FROM ENTERPRISES REVENUES	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
\$ 220,086.92	\$ 1,995,000.00	\$ 2,514,150.06	1.78%	314.70
142,016.49	1,695,000.00	3,705,998.53	2.42%	463.95
140,312.08	2,125,769.74	4,488,307.48	2.68%	562.30
122,341.35	1,766,633.19	3,985,531.82	2.17%	439.32
95,768.99	1,402,674.88	5,490,721.18	2.79%	603.38
154,614.42	1,056,130.49	5,433,243.46	2.39%	595.10
118,341.95	486,000.00	5,508,766.05	2.28%	586.35
114,612.42	453,000.00	5,149,716.00	2.06%	548.13
102,257.91	417,000.00	4,771,848.05	1.76%	507.91
145,459.48	381,000.00	4,950,912.31	1.74%	528.38

CITY OF LAPEER, MICHIGAN
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
 FOR GENERAL OBLIGATION BONDED DEBT
 TO TOTAL GENERAL GOVERNMENT EXPENDITURES
 LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	TOTAL GENERAL GOVERNMENTAL EXPENDITURES	RATIO OF DEBT SERVICE TO GENERAL GOVERNMENTAL EXPENDITURES
1997	960.00	430.00	1,390.00	9,980.00	13.93%
1998	973.00	372.00	1,345.00	11,008.00	12.22%
1999	1,160.00	491.00	1,651.00	11,651.00	14.17%
2000	1,397.00	499.00	1,896.00	12,015.00	15.78%
2001	1,325.00	431.00	1,756.00	11,712.00	14.99%
2002	1,479.00	447.00	1,926.00	12,773.00	15.08%
2003	2,884.00	428.00	3,312.00	13,247.00	25.00%
2004	1,153.00	329.00	1,482.00	10,982.00	13.49%
2005	1,183.00	303.00	1,486.00	10,347.00	14.36%
2006	1,089.00	247.00	1,336.00	11,692.00	11.43%

CITY OF LAPEER, MICHIGAN
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
JUNE 30, 2006

JURISDICTION	NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING	PERCENTAGE APPLICABLE TO GOVERNMENT	AMOUNT APPLICABLE TO GOVERNMENT
Direct:			
City of Lapeer	\$ 3,869,540.52 (1)	100.00%	\$ 3,869,540.52
Overlapping:			
Lapeer County	3,927,373.00	7.89%	309,870.00
Lapeer Community Schools			
Lapeer Intermediate Schools	<u>875,000.00</u>	8.85%	<u>77,438.00</u>
Total	\$ <u>8,671,913.52</u>		\$ <u>4,256,848.52</u>

(1) Excluding general obligation bonds reported in the enterprise funds and the amount available for repayment in the debt service fund

CITY OF LAPEER, MICHIGAN
REVENUE BOND COVERAGE
SEWER REVENUE BONDS
LAST TEN FISCAL YEARS

FISCAL YEAR	(1) GROSS REVENUES	(2) OPERATING EXPENSES	NET REVENUE AVAILABLE FOR DEBT SERVICE
1997	\$ 1,043,527.00	\$ 1,054,046.22	\$ (10,519.22)
1998	1,008,902.31	986,431.30	22,471.01
1999	1,318,147.96	1,087,808.09	230,339.87
2000	969,490.39	1,084,889.90	(115,399.51)
2001	943,621.02	1,240,386.40	(296,765.38)
2002	970,868.28	1,209,574.36	(238,706.08)
2003	1,467,020.34	1,404,292.21	62,728.13
2004	2,053,519.35	1,361,630.65	691,888.70
2005	2,078,853.37	1,860,872.21	217,981.16
2006	2,074,013.06	1,798,824.92	275,188.14

- (1) Total revenues (including investment earnings) exclusive of tap fees, grants, and transfers in and adjusted for transfer to debt service fund for General Obligation Bond.
- (2) Total operating expenses exclusive of depreciation
- (3) Includes principal and interest of sewer revenue bonds only. It does not include the general obligation bonds paid by the Sewer Fund.

DEBT SERVICE REQUIREMENTS (3)

PRINCIPAL	INTEREST	TOTAL	COVERAGE
\$ 15,000.00	\$ 34,216.26	\$ 49,216.26	(0.21)
15,000.00	27,476.90	42,476.90	0.53
15,000.00	26,022.50	41,022.50	5.62
15,000.00	25,212.50	40,212.50	(2.87)
20,000.00	24,382.50	44,382.50	(6.69)
20,000.00	23,320.00	43,320.00	(5.51)
20,000.00	22,232.50	42,232.50	1.49
25,000.00	21,120.00	46,120.00	15.00
25,000.00	19,755.00	44,755.00	4.87
30,000.00	13,360.00	43,360.00	6.35

CITY OF LAPEER, MICHIGAN
REVENUE BOND COVERAGE
WATER REVENUE BONDS
LAST TEN FISCAL YEARS

FISCAL YEAR	(1) GROSS REVENUES	(2) OPERATING EXPENSES	NET REVENUE AVAILABLE FOR DEBT SERVICE
1997	1,234,619.85	955,682.94	278,936.91
1998	1,304,854.68	1,395,653.25	(90,798.57)
1999	1,634,042.71	1,390,852.26	243,190.45
2000	1,290,460.69	1,292,351.30	(1,890.61)
2001	1,325,958.93	1,448,129.61	(122,170.68)
2002	1,703,287.58	1,523,473.05	179,814.53
2003	1,974,630.50	1,750,111.01	224,519.49
2004	2,137,428.61	1,761,119.89	376,308.72
2005	2,110,129.47	1,842,497.67	267,631.80
2006	2,092,683.82	1,729,305.38	363,378.44

- (1) Total revenues (including investment earnings) exclusive of tap fees, grants, and transfers in and adjusted for transfer to debt service fund for General Obligation Bond.
- (2) Total operating expenses exclusive of depreciation
- (3) Includes principal and interest of water revenue bonds only. It does not include the general obligation bonds paid by the Water Fund.

DEBT SERVICE REQUIREMENTS (3)

PRICIPAL	INTEREST	TOTAL	COVERAGE
20,000.00	19,127.50	39,127.50	7.13
20,000.00	14,690.83	34,690.83	(2.62)
20,000.00	15,750.00	35,750.00	6.80
25,000.00	14,700.00	39,700.00	(0.05)
25,000.00	8,410.00	33,410.00	(3.66)
25,000.00	7,310.00	32,310.00	5.57
30,000.00	6,185.00	36,185.00	6.20
30,000.00	4,805.00	34,805.00	10.81
35,000.00	3,395.00	38,395.00	6.97
35,000.00	1,715.00	36,715.00	9.90

CITY OF LAPEER, MICHIGAN
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

FISCAL YEAR	(1) POPULATION	PER CAPITA INCOME	MEDIAN AGE	EDUCATION LEVEL IN YEARS OF FORMAL SCHOOLING	SCHOOL ENROLLMENT	(2) UNEMPLOYMENT RATE
1997	7989	N/A	N/A	N/A	N/A	4.7%
1998	7988	N/A	N/A	N/A	N/A	6.1%
1999	7982	\$ 16,608	33.2	12.4	2,191	4.4%
2000	9072	N/A	N/A	N/A	N/A	4.7%
2001	9130	N/A	N/A	N/A	N/A	6.8%
2002	9395	N/A	N/A	N/A	N/A	9.3%
2003	9395	N/A	N/A	N/A	N/A	9.7%
2004	9395	N/A	N/A	N/A	N/A	8.5%
2005	9395	N/A	N/A	N/A	N/A	8.5%
2006	9370	N/A	N/A	N/A	N/A	6.6%

(1) Bureau of the Census

(2) Michigan Department of Career Development Employment Service Agency

CITY OF LAPEER, MICHIGAN

MISCELLANEOUS STATISTICS

JUNE 30, 2006

Date of Incorporation	1869
Form of Government	Council/Manager
Number of employees (excluding police and fire):	
Classified	48
Exempt	193
Area in square miles	6.2
City of Lapeer facilities and services:	
Miles of streets	37.58
Number of street lights	1057
Culture and Recreation:	
Community centers	1
Parks	15
Park acreage	193
Swimming pools	1
Tennis courts	6
Fire Protection:	
Number of stations	1
Number of fire personnel and officers	40
Number of calls answered	368
Number of inspections conducted	490
Police Protection:	
Number of stations	1
Number of police personnel and officers	25
Number of patrol units	8
Number of law violations:	
Physical arrests	481
Traffic Violations	2,231
Parking Violations	2,963
Sewerage System:	
Miles of sanitary sewers	31.21
Miles of storm sewers	12.6
Number of treatment plants	1
Number of service connections	3,188
Daily average treatment in gallons	1,790,000
Maximum daily capacity of treatment plant in gallons	2,800,000
Water System:	
Miles of water mains	55.3
Number of service connections	3,177
Number of fire hydrants	551
Daily average consumption in gallons	1,441,461
Maximum daily capacity of plant in gallons	Detroit Water System

CITY OF LAPEER, MICHIGAN

MISCELLANEOUS STATISTICS

JUNE 30, 2004

Facilities and services not included in the primary government:

Cable Television System:

Miles of service	70
Number of satellite receiving stations	

Education:

Number of elementary schools	2
Number of elementary school instructors	32
Number of secondary schools	2
Number of secondary school instructions	151

Facilities and services not included in the reporting entity:

Hospitals:

Number of hospitals	1
Number of patient beds	222

CONTINUING DISCLOSURE COMPLIANCE

TIFA BONDS

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER

SEV AND CAPTURED AD VALOREM TAXABLE VALUE OF THE TIFA DISTRICT #1'S AD VALOREM TAX ROLL
FISCAL YEARS ENDING AS OF JUNE 30

ASSESSED VALUE AS OF DECEMBER 31	YEAR OF STATE EQUILIZATION AND TAX LEVY	CITY'S FISCAL YEAR ENDING JUNE 30	AD VALOREM TAXABLE VALUE		CAPTURED AD VALOREM TAXABLE VALUE	
			AMOUNT	PERCENT CHANGE	AMOUNT	PERCENT CHANGE
2004	2005	2006	\$ 25,506,070.00	2.67%	\$ 21,809,370.00	3.14%
2003	2004	2005	24,842,501.00	5.99%	21,145,801.00	7.11%
2002	2003	2004	23,439,040.00	-1.44%	19,742,340.00	-1.71%
2001	2002	2003	23,781,736.00	9.61%	20,085,036.00	11.59%
2000	2001	2002	21,696,450.00	3.94%	17,999,750.00	4.79%
1999	2000	2001	20,874,336.00	19.21%	17,177,636.00	24.36%
1998	1999	2000	17,509,826.00	6.28%	13,813,126.00	8.10%
1997	1998	1999	16,475,379.00	14.22%	12,778,679.00	19.11%
1996	1997	1998	14,424,776.00	15.16%	10,728,076.00	21.50%
1995	1996	1997	12,526,190.00	4.67%	8,829,490.00	6.75%

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER
CAPTURED TAXABLE VALUE OF THE TIFA DISTRICT #1'S AD VALOREM TAX ROLL
BY USE AND CLASS
FISCAL YEARS ENDING AS OF JUNE 30

Use	2006	2005	2004	2003	2002
Homestead (1)					
Residential	\$ 212,341.00	\$ 202,305.00	\$ 200,820.00	\$ 206,156.00	\$ 196,812.00
Non-Homestead					
Residential	244,942.00	246,520.00	160,618.00	20,146.00	18,898.00
Commercial	2,557,359.00	2,741,567.00	2,587,673.00	3,103,002.00	2,179,910.00
Industrial	18,794,728.00	17,955,409.00	16,793,229.00	16,755,732.00	15,604,130.00
Class					
Real Property	9,943,470.00	9,742,801.00	9,220,540.00	8,647,736.00	7,781,550.00
Personal Property	11,865,900.00	11,403,000.00	10,521,800.00	11,437,300.00	10,218,200.00

(1) Homestead means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Homestead includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of the Michigan Compiled Laws. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Non-homestead is property not included in the above definition.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER
CAPTURE TAXABLE VALUE OF THE TIFA DISTRICT #1'S AD VALOREM TAX ROLL
BY USE AND CLASS AS A PERCENT OF TOTAL
FISCAL YEARS ENDING AS OF JUNE 30

Use	2006	2005	2004	2003	2002
Homestead (1)					
Residential	0.97%	0.96%	1.02%	1.03%	1.09%
Non-Homestead					
Residential	1.12%	1.17%	0.81%	0.10%	0.10%
Commercial	11.73%	12.97%	13.11%	15.45%	12.12%
Industrial	86.18%	84.91%	85.06%	83.42%	86.69%
Class					
Real Property	45.59%	46.07%	46.70%	43.06%	43.23%
Personal Property	54.41%	53.93%	53.30%	56.94%	56.77%

- (1) Homestead means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Homestead includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of Michigan Compiled Laws. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Non-homestead is property not included in the above definition.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER

TIFA DISTRICT #1

EXPIRATION OF NEW INDUSTRIAL FACILITY TAX ABATEMENTS

FOR THE PERIOD ENDING JUNE 30, 2006

Expiration December 31	CAPTURED TAXABLE VALUE OF INDUSTRIAL FACILITY TAX ABATEMENTS (NEW PROPERTIES)
2006	\$ 62,800.00
2007	344,500.00
2008	162,700.00
2009	1,365,300.00
2010	1,629,900.00
2011	
2012	
2013	666,000.00
2014	
2015	
2016	330,000.00
2017	
2018	
2019	
Total	\$ <u>4,561,200.00</u>

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER
CAPTURED TAXABLE VALUE OF THE TIFA DISTRICT #1'S IFT TAX ROLL BY CLASS
FISCAL YEARS ENDING JUNE 30

Class	2006	2005	2004	2003	2002
Real Property	\$ 2,474,000.00	\$ 2,474,000.00	\$ 2,542,500.00	2,985,000.00	\$ 3,916,500.00
Personal Property	<u>2,087,200.00</u>	<u>4,072,800.00</u>	<u>5,340,900.00</u>	<u>6,738,600.00</u>	<u>7,793,800.00</u>
Total	<u>\$ 4,561,200.00</u>	<u>\$ 6,546,800.00</u>	<u>\$ 7,883,400.00</u>	<u>9,723,600.00</u>	<u>\$ 11,710,300.00</u>

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER

CAPTURED TAXABLE VALUE OF THE TIFA DISTRICT #1'S IFT TAX ROLL BY CLASS AS A PERCENT TOTAL
FISCAL YEARS ENDING JUNE 30

Class	2006	2005	2004	2003	2002
Real Property	54.24%	37.79%	32.25%	30.70%	33.44%
Personal Property	<u>45.76%</u>	<u>62.21%</u>	<u>67.75%</u>	<u>69.30%</u>	<u>66.56%</u>
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER

PROPERTY TAX COLLECTIONS

FISCAL YEAR ENDING JUNE 30

FISCAL YEAR ENDING JUNE 30,	NET CAPTURED TAX LEVY	COLLECTIONS TO MARCH 1 FOLLOWING LEVY	PERCENT COLLECTED	COLLECTIONS TO JUNE 30 FOLLOWING LEVY	PERCENT COLLECTED
2006	\$ 988,155.00	\$ 949,868.00	96.13%	\$ 987,660.00	99.95%
2005	984,616.00	939,569.00	95.42%	984,153.00	99.95%
2004	935,030.00	875,732.00	93.66%	934,740.00	99.97%
2003	960,383.00	927,057.00	96.53%	958,487.00	99.80%
2002	907,071.00	891,578.00	98.29%	907,071.00	100.00%
2001	887,821.00	870,554.00	98.06%	873,327.00	98.37%
2000	798,919.00	782,294.00	97.92%	798,911.00	100.00%
1999	752,953.00	737,301.00	97.92%	752,953.00	100.00%
1998	800,562.00	779,987.00	97.43%	800,562.00	100.00%
1997	752,534.00	727,434.00	96.66%	752,534.00	100.00%

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER

CAPTURED PROPERTY TAX RATES IN THE TIFA DISTRICT #1

FISCAL YEARS ENDING JUNE 30

JULY 1 LEVY	FISCAL YEARS ENDING JUNE 30	CITY MILLAGE	LAPEER PUBLIC SCHOOLS MILLAGE	LAPEER INTERMEDIATE SCHOOLS MILLAGE	LAPEER COUNTY MILLAGE	STATE MILLAGE
2005	2006	9.8000	18.0000	2.9509	3.8165	6.0000
2004	2005	8.7911	18.0000	2.9794	3.8539	6.0000
2003	2004	8.7911	18.0000	3.0084	3.8941	5.0000
2002	2003	8.7911	18.0000	3.0467	3.9454	6.0000
2001	2002	8.7911	17.6280	3.0773	3.9901	6.0000
2000	2001	8.7911	17.8079	3.1189	4.0460	6.0000
1999	2000	8.7911	17.8884	3.1605	4.0977	6.0000
1998	1999	8.7911	18.0000	3.1978	4.0405	6.0000
1997	1998	8.7911	18.0000	3.2223	4.0710	6.0000
1996	1997	8.7911	18.0000	3.2268	4.1920	6.0000

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER
SEV OF THE LARGEST TAXPAYERS ON TIFA DISTRICT #1'S AD VALOREM TAX ROLL
FISCAL YEAR ENDING JUNE 30, 2006

TAXPAYER	PRODUCT OR SERVICE	TAXABLE VALUE	PERCENT OF TAXABLE VALUE
Creative Eng. Polymer Prod.	Plastic Auto Parts	4,575,000.00	19.24%
Dott Industries	Chromeplating/Molding	2,244,120.00	9.44%
Albar Industries	Plastic Decorating & Auto	2,199,700.00	9.25%
Lapeer Metal Products	Metal Stampings	2,182,100.00	9.18%
Hunters Creek MCH, LLC	Mobile Home Park	1,935,392.00	8.14%
Metokote Corporation	Plastic Auto Parts	1,852,200.00	7.79%
American Shower and Bath	Bath Fixtures	1,755,600.00	7.38%
Lapeer Industries	Metal Machining & Fabricating	1,136,100.00	4.78%
ITW Foamseal	Foam Products	455,235.00	1.91%
Ovens, LLC	Motel	435,632.00	1.83%

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER
SEV OF THE LARGEST TAXPAYERS ON TIFA DISTRICT #1'S IFT TAX ROLL
FISCAL YEAR ENDING JUNE 30, 2006

TAXPAYER	PRODUCT OR SERVICE	TAXABLE VALUE	PERCENT OF TAXABLE VALUE
American Shower and Bath	Bath Fixtures	\$ 1,629,900.00	13.92%
Dott Industries, Inc.	Chromeplating/Molding	1,371,700.00	11.71%
Testing Services Group, LLC	Manufacture & Testing Fuel Sys.	620,000.00	5.29%
Lapeer Industries, Inc.	Metal Machining & Fabricating	586,400.00	5.01%
Allsons, Inc.	Custom die punches	87,500.00	0.75%
Albar Industries, Inc.	Plastic Decorating & Auto	86,000.00	0.73%
Quest Industries, Inc.	Rubber and injection mold making and precision machining for auto, defense and plumbing	71,200.00	0.61%
S.J. Chain & Wire Rope, Inc.	Chain, wire rope & fittings, hoists, chain, special lifting fixture fabrication	70,000.00	0.60%
Gallop Brush	Manufacture of soft cloth and foam tech for auto wash industry	24,500.00	0.21%
Lesley Elizabeth	Gourmet Food Production/Processing	14,000.00	0.12%

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER

FIFTEEN LARGEST EMPLOYERS IN TIFA DISTRICT #1

FISCAL YEAR ENDING JUNE 30, 2006

COMPANY	PRODUCT OR SERVICE	APPROXIMATE NUMBER OF EMPLOYEES
Dott Industries/Deco Plate	Automotive Industry	775
Lapeer Metal Products	Metal Stamping and assemblies	288
Creative Eng. Polymer Prod.	Automotive Design	210
Metokote Corp.	Electrostatic painting of small metal car parts	170
Albar Industries, Inc.	Automotive Decorating	167
American Shower and Bath	Vacuum Forming Bath Products	150
Lapeer Industries, Inc.	Machining and Fabrication of Metal	83
Webco Press	Printing	36
Testing Services Group	Testing & Engineering of Fuel Systems	32
P & P Manufacturing	Pneumatic Parts & Air Tools	29
ITW TACC, Inc.	Foam products	21
Motion Machine, Inc.	Manufacturing of Industrial Machining and Automated Equipment	15
Leslie-Elizabeth	Gourmet Food Production/Processing	11
Blue Water Printing	Printing	8

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER
ELIGIBLE OBLIGATIONS, ELIGIBLE ADVANCES AND OTHER OBLIGATIONS
SUPPORTED BY TAX INCREMENT REVENUES OF TIFA DISTRICT #1
FISCAL YEAR ENDING JUNE 30, 2006

Description	(1) ELIGIBLE OBLIGATIONS	(1) ELIGIBLE ADVANCES	(2) OTHER OBLIGATIONS
1998 TIFA Revenue Refunding Bond-Debt Service (3)	\$ 718,225.00	\$	\$
Spray Park			17,000.00
Community Center Operations			215,605.00
Community Center Equipment			24,235.00
McCormick Street Extension Project-Debt Service			27,309.30

- (1) These obligations are eligible for the capture of Local School, Intermediate School, and State Education millages in an amount not to exceed the total of the eligible obligations. If Local School, Intermediate School, and State Education millages are insufficient, the TIFA district would then utilize the captured millages from the City and County millages. Once these obligations have been fully paid, the TIFA district will no longer capture Local School, Intermediate School, or State Education millages.
- (2) These obligations are only funded from the capture of City and County millages.
- (3) This obligation refunded the 1992 TIFA Revenue Bond. Bond proceeds less issuance cost together with other funds were deposited in an escrow fund ("TIFA Escrow Fund") held by First of America Bank, N.A., Birmingham, Michigan. ("Escrow Agent"), pursuant to an escrow agreement between the TIFA and the TIFA Escrow Agent ("TIFA Escrow Agreement") and used to purchase Government Obligations. The 1992 TIFA Revenue Bonds were called and defeased on June 1, 2002.

PRIMARY GOVERNMENT BONDS

CITY OF LAPEER, MICHIGAN
STATE EQUALIZED AND TAXABLE VALUATIONS
 AS OF JUNE 30, 2006

ASSESSED VALUE AS OF DECEMBER 31	YEAR OF STATE EQUALIZATION AND TAX LEVY	CITY'S FISCAL YEAR ENDING JUNE 30	STATE EQUILIZED VALUATION	AD VALOREM TAXABLE VALUATION	TAXABLE VALUE
2004	2005	2006	\$ 284,908,200.00	\$ 221,326,139.00	\$ 251,447,839.00
2003	2004	2005	271,558,300.00	208,369,033.00	231,240,833.00
2002	2003	2004	250,468,300.00	199,409,173.00	227,069,973.00
2001	2002	2003	241,424,900.00	196,721,655.00	226,930,655.00
2000	2001	2002	227,164,500.00	184,161,145.00	212,247,645.00

CITY OF LAPEER, MICHIGAN
COMPONENTS OF SEV/TAXABLE VALUE
AS OF JUNE 30, 2006

	2005	2004	2003	2002	2001
Real Property					
Agricultural	\$	\$	\$	\$	\$
Commercial	74,764,096.00	69,964,110.00	66,702,873.00	65,214,886.00	61,872,028.00
Industrial	16,326,064.00	16,085,885.00	15,696,207.00	15,291,811.00	14,498,216.00
Residential	89,959,679.00	83,139,538.00	78,123,193.00	74,397,658.00	69,994,001.00
Real Dev.					
Total Real Prop.	181,049,839.00	169,189,533.00	160,522,273.00	154,904,355.00	146,364,245.00
Personal Prop.	40,276,300.00	39,179,500.00	38,886,900.00	41,817,300.00	37,796,900.00
Total Taxable Value	221,326,139.00	208,369,033.00	199,409,173.00	196,721,655.00	184,161,145.00
Real Property	81.80%	81.20%	80.50%	78.74%	79.48%
Personal Prop.	18.20%	18.80%	19.50%	21.26%	20.52%

CITY OF LAPEER, MICHIGAN
CITY WIDE MILLAGES
(PER \$1,000 OF TAXABLE VALUE)
AS OF JUNE 30, 2006

TAXING UNIT	2004		2004	
	HOMESTEAD PROPERTIES	NON- HOMESTEAD PROPERTIES	HOMESTEAD PROPERTIES	NON- HOMESTEAD PROPERTIES
CITY OF LAPEER				
Operating	\$ 8.8000	\$ 8.8000	\$ 7.7911	\$ 7.7911
Infrastructure	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
TOTAL CITY	<u>9.8000</u>	<u>9.8000</u>	<u>8.7911</u>	<u>8.7911</u>
COUNTY OF LAPEER				
Lapeer County Operations (A)	3.8165	3.8165	3.8539	3.8539
Library (V)	0.8191	0.8191	0.8272	0.8272
Senior Citizens (V)	0.2475	0.2475	0.2500	0.2500
E-911 (V)				
Suncrest-MCF (V)	<u>0.7355</u>	<u>0.7355</u>	<u>0.7428</u>	<u>0.7428</u>
TOTAL COUNTY	<u>5.6186</u>	<u>5.6186</u>	<u>5.6739</u>	<u>5.6739</u>
LAPEER INTERMEDIATE SCHOOL DISTRICT				
Intermed. District Operation (A)	0.1880	0.1880	0.1899	0.1899
Special Education (V)	0.8371	0.8371	0.8452	0.8452
Vocational Education (V)	<u>1.9258</u>	<u>1.9258</u>	<u>1.9443</u>	<u>1.9443</u>
TOTAL INTERMEDIATE SCHOOL DISTRICT	<u>2.9509</u>	<u>2.9509</u>	<u>2.9794</u>	<u>2.9794</u>
LAPEER SCHOOL DISTRICT				
School Operating		18.0000		18.0000
School Debt	<u>2.2174</u>	<u>2.2174</u>	<u>2.2320</u>	<u>2.2320</u>
TOTAL SCHOOL DISTRICT	<u>2.2174</u>	<u>20.2174</u>	<u>2.2320</u>	<u>20.2320</u>
State Education	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>
TOTAL	<u>\$ 26.5869</u>	<u>\$ 44.5869</u>	<u>\$ 25.6764</u>	<u>\$ 43.6764</u>

Note: Homestead means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Homestead includes a life care facility registered under the living care disclosure act, Act 440, Public Acts of Michigan 1976, being sections 554.801 to 554.844 of the Michigan Compiled Laws. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Non-homestead is property not included in the above definition.

2003		2002		2001	
HOMESTEAD PROPERTIES	NON- HOMESTEAD PROPERTIES	HOMESTEAD PROPERTIES	NON- HOMESTEAD PROPERTIES	HOMESTEAD PROPERTIES	NON- HOMESTEAD PROPERTIES
\$ 7.7911	\$ 7.7911	\$ 7.7911	\$ 7.7911	7.7911	\$ 7.7911
<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
<u>8.7911</u>	<u>8.7911</u>	<u>8.7911</u>	<u>8.7911</u>	<u>8.7911</u>	<u>8.7911</u>
3.8941	3.8941	3.9454	3.9454	3.9901	3.9901
0.8359	0.8359	0.8470	0.8470	0.8566	0.8566
0.1233	0.1233	0.1250	0.1250	0.1201	0.1201
<u>0.7506</u>	<u>0.7506</u>	<u>0.7605</u>	<u>0.7605</u>	<u>0.7692</u>	<u>0.7692</u>
<u>5.6039</u>	<u>5.6039</u>	<u>5.6779</u>	<u>5.6779</u>	<u>5.7360</u>	<u>5.7360</u>
0.1918	0.1918	0.1943	0.1943	0.1963	0.1963
0.8534	0.8534	0.8643	0.8643	0.8730	0.8730
<u>1.9632</u>	<u>1.9632</u>	<u>1.9881</u>	<u>1.9881</u>	<u>2.0080</u>	<u>2.0080</u>
<u>3.0084</u>	<u>3.0084</u>	<u>3.0467</u>	<u>3.0467</u>	<u>3.0773</u>	<u>3.0773</u>
2.2500	18.0000		18.0000	0.3750	17.6280
<u>2.2500</u>	<u>2.2500</u>			<u>0.3750</u>	<u>0.3750</u>
2.2500	20.2500		18.0000	0.3750	18.0030
<u>5.0000</u>	<u>5.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>
\$ <u>24.6534</u>	\$ <u>42.6534</u>	\$ <u>23.5157</u>	\$ <u>41.5157</u>	<u>23.9794</u>	\$ <u>41.6074</u>

CITY OF LAPEER, MICHIGAN
TABLE OF PROPERTY TAX COLLECTIONS
AS OF JUNE 30, 2006

LEVIED JULY 1	FISCAL YEAR ENDED	AD VOLOREM TAX LEVY	IFT/CFT TAX LEVY	COLLECTIONS TO MARCH 1 OF EACH YEAR		COLLECTIONS TO JUNE 30 OF EACH YEAR	
				AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
2005	2006	\$ 2,168,246.20	\$ 147,596.33	\$ 2,214,238.54	95.61%	\$ 2,310,621.42	99.77%
2004	2005	1,831,346.07	100,532.74	1,839,811.30	95.23%	1,854,547.45	96.00%
2003	2004	1,752,769.84	109,656.05	1,757,712.64	94.38%	1,840,073.96	98.80%
2002	2003	1,729,493.85	134,928.39	1,790,579.20	96.04%	1,853,254.32	99.40%
2001	2002	1,628,581.77	123,453.88	1,687,335.87	96.31%	1,752,035.65	100.00%

CITY OF LAPEER, MICHIGAN
10 YEAR HISTORY OF INCOME TAX REVENUE
AS OF JUNE 30

FISCAL YEAR	REVENUE NET OF REFUNDS	DOLLAR INCREASE FROM PRIOR YEAR	PERCENTAGE INCREASE FROM PRIOR YEAR
2005	\$ 2,318,484.99	\$ 74,834.82	3.34%
2005	2,243,650.17	79,614.43	3.68%
2004	2,164,035.74	113,213.93	5.52%
2003	2,050,821.81	(49,705.64)	-2.37%
2002	2,100,527.45	132,341.61	6.72%
2001	1,968,185.84	(136,863.90)	-6.50%
2000	2,105,049.74	167,896.33	8.67%
1999	1,937,153.41	131,939.45	7.31%
1998	1,805,213.96	77,618.52	4.49%
1997	1,727,595.44	52,420.51	3.13%

The tax rate is 1% of Taxable Income for Residents and 1/2% of Taxable Income for Non-Residents. A \$600 personal exemption is allowed for each exemption claimed. Determination of Taxable Income follows Federal Guidelines.

CITY OF LAPEER, MICHIGAN
GENERAL FUND REVENUES AND EXPENSES
(FISCAL YEARS ENDING JUNE 30)

	2006	2005	2004	2003	2002
Revenues	\$ 7,026,463.35	\$ 6,713,957.59	\$ 6,140,492.44	\$ 6,112,770.83	\$ 5,985,152.86
Expenses	5,248,864.61	4,865,086.28	4,666,149.58	4,794,289.08	4,769,176.44
Revenues Over					
(Under) Expenses	1,777,598.74	1,848,871.31	1,474,342.86	1,318,481.75	1,215,976.42
Operating Transfers					
In (Out)	(1,481,519.24)	(1,059,427.09)	(1,121,148.77)	(1,480,717.53)	(1,461,162.58)
Prior Period Adjust.				6,159.82	
Beginning Fund					
Balance (July 1)	2,320,293.56	1,530,849.34	1,177,655.25	1,333,731.21	1,578,917.37
Ending Fund					
Balance (June 30)	2,616,373.06	2,320,293.56	1,530,849.34	1,177,655.25	1,333,731.21

CITY OF LAPEER, MICHIGAN
DIRECT BONDED INDEBTEDNESS
AS OF JUNE 30, 2006

CATEGORY OF INDEBTEDNESS	PRINCIPAL AMOUNT OUTSTANDING	LESS SELF SUPPORTING BONDS AND THE REFUNDED BONDS	NET DIRECT DEBT
1987 Sewer Revenue Bond	250,000.00	250,000.00	
1997 General Obligation Limited Tax Bond	50,000.00		50,000.00
1997 Special Assessment Bond	45,000.00		45,000.00
1998 General Obligation Limited Tax Bond	240,000.00		240,000.00
1998 Special Assessment Bond	420,000.00		420,000.00
1998 General Obligation Limited Tax Bond, Series B	40,000.00		40,000.00
1998 Special Assessment Bond, Series B	30,000.00		30,000.00
1998 TIF Revenue Refunding Bond	2,845,000.00	2,845,000.00	
1999 Building Authority Bond	635,000.00		635,000.00
2000 General Obligation Limited Tax Bond	150,000.00		150,000.00
2000 Special Assessment Bond	35,000.00		35,000.00
2001 Building Authority Bond	1,245,000.00		1,245,000.00
2001 General Obligation Limited Tax Bond	195,000.00		195,000.00
2001 Special Assessment Bond	110,000.00		110,000.00
2002 General Obligation Limited Tax Bond	405,000.00		405,000.00
2002 Special Assessment Bond	250,000.00		250,000.00
2002 Building Authority Refunding Bond	870,000.00		870,000.00
2002 Equipment Financing Contract	76,721.00		76,721.00
2002A Equipment Financing Contract	17,727.00		17,727.00
2003 General Obligation Limited Tax Bond	185,000.00		185,000.00
2003 Special Assessment Bond	165,000.00		165,000.00
2003 Equipment Financing Contract	74,248.00		74,248.00
2004A Equipment Financing Contract	180,031.00		180,031.00
2005 Equipment Financing Contract	143,645.00		143,645.00
2005A Equipment Financing Contract	682,000.00		682,000.00
2005B Equipment Financing Contract	288,000.00		288,000.00
Totals	<u>\$ 9,627,372.00</u>	<u>\$ 3,095,000.00</u>	<u>\$ 6,532,372.00</u>

(1) Funds have been escrowed from the 1998 TIF Revenue Refunding Bond to pay all remaining debt service on the 1992 TIF Revenue Bond. The Tax Increment Finance Authority #1 has no further obligation on this bond issue. The 1992 TIF Revenue Bonds were called and defeased on June 1, 2002.

CITY OF LAPEER, MICHIGAN

DEBT STATEMENT

AS OF JUNE 30, 2006

CITY DIRECT DEBT	PRINCIPAL AMOUNT OUTSTANDING	LESS SELF SUPPORTING BONDS AND THE REFUNDED BONDS	NET DIRECT DEBT	NET DEBT (1)	
				PER CAPITA	PERCENT OF TAXABLE VALUATION
General Obligation Bonds (LTGO)	\$ 2,727,372.00	\$	\$ 2,727,372.00		
Special Assessment Bonds (LTGO)	1,055,000.00		1,055,000.00		
Building Authority Bonds (LTGO)	2,750,000.00		2,750,000.00		
Michigan Transportation Fund Bonds (LTGO)					
Tax Increment Revenue Bonds	2,845,000.00	2,845,000.00			
Water Revenue Bonds					
Sewer Revenue Bonds	250,000.00	250,000.00			
TOTAL DIRECT DEBT	\$ 9,627,372.00	\$ 3,095,000.00	\$ 6,532,372.00	\$ 697.16	2.60%

CITY OVERLAPPING DEBT	TOTAL DEBT	CITY SHARE AS PERCENT OF TOTAL DEBT	NET CITY SHARE	NET CITY SHARE (1)	
				PER CAPITA	% of Taxable Valuation
Lapeer School District	\$	16.57%	\$		
County of Lapeer	3,927,373.00	7.89%	309,870.00		
Lapeer Intermediate School District	875,000.00	8.85%	77,438.00		
TOTAL OVERLAPPING DEBT	4,802,373.00		387,308.00	41.33	0.15%
TOTAL CITY DIRECT AND OVERLAPPING DEBT	\$ 14,429,745.00		\$ 6,919,680.00	\$ 738.49	2.75%

(1) Based upon the 2005 population of 9,370 and 2005 Taxable Valuation of \$251,447,839.00.

CITY OF LAPEER, MICHIGAN
GENERAL OBLIGATION DEBT LIMITATION
AS OF JUNE 30, 2006

DESCRIPTION	ASSESSED VALUE
2005 Advolorum Assessed Value	\$ 284,908,200.00
2005 Ind. Facil. Assessed Value	30,121,700.00
	<hr/>
Total Assessed Value	315,029,900.00
	<hr/>
Debt Limitation Factor	10.00%
	<hr/>
Debt Limitation	31,502,990.00
	<hr/>
Total Indebtedness as of June 30, 2006	9,627,372.00
 <u>Debt Excluded from Debt Limitation</u>	
1987 Sewer Revenue Bond	250,000.00
1997 Special Assessment Bond	45,000.00
1998 Special Assesment Bond	420,000.00
1998 Special Assessment Bond, Series B	30,000.00
1998 TIF Revenue Refunding Bond	2,845,000.00
2000 Special Assessment Bond	35,000.00
2001 Special Assessment Bond	110,000.00
2002 Special Assessment Bond	250,000.00
2003 Special Assesment Bond	165,000.00
2002 Equipment Financing Contract	76,720.00
2002A Equipment Financing Contract	17,727.00
2003 Equipment Financing Contract	74,248.00
2004A Equipment Financing Contract	180,031.00
2005 Equipment Financing Contract	143,645.00
2005A Equipment Financing Contract	682,000.00
2005B Equipment Financing Contract	288,000.00
	<hr/>
Total Excludable Debt	5,612,371.00
	<hr/>
Net Indebtedness	4,015,001.00
	<hr/>
Amount Under (Over) Debt Limitation	\$ 27,487,989.00
	<hr/>
Debt applicable to limit as a percent of Assessed Value	1.27%

CITY OF LAPEER, MICHIGAN
INDEBTEDNESS OUTSTANDING FOR THE LAST FIVE YEARS
(EXCLUDING REVENUE BONDS)

FISCAL YEAR	AMOUNT OUTSTANDING*	DEBT PER CAPITA**	PERCENT DEBT TO SEV	PERCENT DEBT TO ACTUAL VALUATION	
2005-2006	\$ 7,058,883.92	\$ 753.35	3.19%	1.60%	(3)
2004-2005	7,227,766.37	772.03	3.47%	1.74%	(2)
2003-2004	8,168,465.50	900.40	4.10%	2.05%	(1)
2002-2003	8,846,213.34	975.11	4.50%	2.25%	(1)
2001-2002	9,857,855.10	1,086.62	5.35%	2.68%	(1)

* Amount outstanding (including contracts payable and accumulated compensated absences)
at the end of each fiscal year noted.

** Calculated at a population level of 7,759.

(1) Calculated at a population level of 9,072.

(2) Calculated at an estimated population level of 9,362.

(3) Calculated at an estimated population level of 9,370

CITY OF LAPEER, MICHIGAN
MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

ACTUARIAL	TOTAL ACCRUED LIABILITIES	ACCRUED ASSETS	UNFUNDED ACCRUED LIABILITIES	ASSETS AS PERCENT OF ACCRUED LIABILITIES
December 31, 2005	\$ 14,070,488.00	\$ 10,357,383.00	\$ 3,713,105.00	74%
December 31, 2004	12,853,822.00	9,823,323.00	3,030,499.00	76%
December 31, 2003	11,968,367.00	9,380,754.00	2,587,613.00	78%
December 31, 2002	10,750,223.00	8,871,460.00	1,878,763.00	83%
December 31, 2001	9,712,841.00	8,708,627.00	1,004,214.00	90%
December 31, 2000	9,012,219.00	8,173,945.00	838,274.00	91%
December 31, 1999	7,833,044.00	7,488,506.00	344,538.00	96%
December 31, 1998	7,149,292.00	6,576,360.00	572,932.00	92%
December 31, 1997	6,715,201.00	5,986,764.00	728,437.00	89%
December 31, 1996	6,020,003.00	5,544,141.00	475,862.00	92%

CITY OF LAPEER, MICHIGAN
HISTORY OF REVENUE SHARING PAYMENTS

FISCAL YEAR END	REVENUE SHARING PAYMENT	INVENTORY REIMBURSEMENT	TOTAL
June 30, 2006	\$ 811,246.00	\$	\$ 811,246.00
June 30, 2005	818,099.00		818,099.00
June 30, 2004	862,709.00		862,709.00
June 30, 2003	889,506.00		889,506.00
June 30, 2002	1,037,526.00		1,037,526.00
June 30, 2001	938,510.00		938,510.00
June 30, 2000	836,253.00		836,253.00
June 30, 1999	791,618.00	24,827.00	816,445.00
June 30, 1998	749,548.00	24,827.00	774,375.00
June 30, 1997	726,495.00	24,827.00	751,322.00

CITY OF LAPEER, MICHIGAN

TEN LARGEST TAXPAYERS

TAXPAYER	PRINCIPAL PRODUCT OR SERVICE	2005 TAXABLE VALUATION	PERCENT OF 2005 TAXABLE VALUATION
Lemforder ZF Corporation	Machine automotive and industrial metal products	\$ 11,737,840.00	4.67%
Urgent Design & Manufacturing	Rapid proto-type fabrication and manufacturing	5,866,050.00	2.33%
H & H Tools, Inc.	Manufacture of transmission, hydraulic, and AC parts	4,996,139.00	1.99%
Wal-Mart Stores East LP	Retail store	4,987,669.00	1.98%
Meijer, Inc.	Retail store	4,684,200.00	1.86%
Detroit Edison Company	Electric utility	4,527,700.00	1.80%
Rolling Hills Apartments, Inc.	Apartments	3,741,941.00	1.49%
Creative Eng Polymer Products	Injection and blow-molded plastice automotive parts	3,700,500.00	1.47%
Dott Industries	Chrome plating	3,615,820.00	1.44%
Lapeer Associates LLC	Rental management - commercial	3,153,967.00	1.25%

CITY OF LAPEER, MICHIGAN
INDUSTRIAL FACILITIES TAX ROLL
FOR THE 2005 TAX YEAR

YEAR OF TRANSFER TO AD VALOREM TAX ROLL	I.F.T. TAXABLE VALUE
2006	\$ 1,110,600.00
2007	1,141,300.00
2008	656,900.00
2009	1,895,100.00
2010	3,259,100.00
2011	990,000.00
2012	2,521,900.00
2013	1,081,800.00
2014	6,546,000.00
2015	
2016	330,000.00
2017	
2018	946,900.00
2019	<u>9,642,100.00</u>
TOTAL	\$ <u><u>30,121,700.00</u></u>

CITY OF LAPEER, MICHIGAN
TWELVE LARGEST EMPLOYERS

COMPANY NAME	NUMBER OF EMPLOYEES	PRINCIPAL PRODUCT OR SERVICE
Lapeer Community Schools	790	Education
Lapeer Regional Hospital	780	Medical Services
Dott Industries/Deco Plate	775	Automotive Industry
Wal-Mart	575	Retail Sales
Lapeer County	476	County Management
Meijer	425	Retail Sales
Thumb Correctional Facility	350	Correctional Facility
Lapeer Metal Stamping	288	Metal Stamping and Assemblies
Creative Eng. Polymer Products	210	Automotive Design
Albar Industries, Inc.	167	Automotive Decorating
ZF Lemforder Corp	165	Automotive Industry
K-Mart	90	Retail Sales